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*** Dutch Conference on Slovak-Hungarian Relations**

93CH0488A Bratislava *SLOBODNY PIATOK* in Slovak 12 Mar 93 p 6

[Critical review by Milan Zemko of contributions to the conference "Hungarian-Slovak Relations: Past, Present, Future" held in The Hague in December 1992: "Historical Defects Continue"]

[Text] The past three years have confirmed as true at least one prognosis made by Western experts on Central and East Europe—the extremely high sensitivity, even explosiveness, of the interethnic relations within states and on the international level. This applies equally to the countries in the Carpathian Basin, which is geographically almost the same as the old Magyar kingdom. To this day, it exemplifies a European region where national problems and conflicts are evident but, fortunately for all involved, have not reached uncontrollable dimensions; consequently, there still are real opportunities for generally acceptable compromises by which a stable development of this geopolitical area can continue, to say the least, on the basis of correct neighborly relations.

Nevertheless, the establishment of such relations cannot be limited exclusively to politicians but must be an effort of a considerably wider circle of interested persons, particularly those from the economic and cultural sphere and academia. Probably in consideration of this fact, the representatives of two Dutch institutions—the "Clingendael" Dutch Institute for International Relations in The Hague and Groeningen University—organized toward the end of 1992 a conference on the topic of "Relations Between Hungary and Slovakia: Past, Present, Future" on the "neutral ground" of The Hague. The contributions presented by the Hungarian historians at the conference offer some sampling of the Hungarian view of our mutual relations in both the distant and the recent past.

In his report on Slovak national development and the policies of the Hungarian Government during the period of dualism up to 1918, the historian Laszlo Szarka stated that, instead of legislation that would have enforced a distributive idea, the government circles adhered to an unrealistic concept of the Hungarian national state, and their implemented restrictive and discriminatory government decrees affected the nationalist associations, the press, and the schools. That policy reflected the weakness of the federalist positions in what was then the Hungarian Kingdom and, conversely, the strength of Hungarian centralism based on state nationalism.

However, at the same time (and in the spirit of the traditional views held by Hungarian historians), L. Szarka looks with understanding at Magyarization efforts as a phenomenon accompanying the process of integration of individual areas of the Hungarian Kingdom. Hungarian historians already traditionally characterize this type of Magyarization as a "natural assimilation" process prompted by industrialization and

consequent migration of the Hungarian and non-Hungarian population and encouraged by the bilingualism on the ethnic borderline, especially in municipal industrial centers. Yet facts that even Hungarian historians do not deny cast doubts on the naturalness and spontaneity of assimilation in Hungary before the Treaty of Trianon. One would be able to speak of natural assimilation only if the non-Hungarian nations and nationalities had had at their disposal an adequate network of educational and sociocultural institutions; if the middle classes and, particularly, state employees had not been continuously exposed to pressures forcing them to act as "patriots" or Hungarians; or, briefly, if at least a valid law on nationalities had been respected and if, in spite of it, a spontaneous, completely voluntary process of Magyarization of the non-Hungarians had taken place in the Kingdom of Hungary. However, that is not at all how the situation in the former Hungarian Kingdom may be characterized.

The link to the current era may also be noted in Imre Molnar's paper on Hungarian-Slovak relations between the two wars, especially when he refers to the problems of minorities in both countries. Molnar also states the historically indisputable fact that the status of the Hungarians in Czechoslovakia was substantially more advantageous than the situation of the Slovaks in post-Trianon Hungary. Nevertheless, at the same time, he tries to "objectivize" the unfavorable status of the Slovaks in Hungary by asserting that it was because they had lost "their natural relations with the Slovaks in their former northern territory and the national rights of their Slovak brethren had also been restricted." And those rights were restricted by the idea of Czechoslovakism, which was allegedly promoted in the same expansive and imperialist spirit that used to prevail in the Hungarian Kingdom before the Treaty of Trianon. Today, the fundamental error of the idea of Czechoslovakism is a matter of general consensus, but its quite specific historical effect during the period between the two wars was completely different from the results of the antinationalist policies of practically all Magyar and, later, Hungarian Governments.

An importunate partisanship, which in this case did not stem from the class concept but rather from the national idea, was evident from the contributions of Hungarian historians who dealt with Slovak-Hungarian relations after World War II. In their interpretation, they reduced the whole gamut of problems of mutual relations to two issues. One concerns events connected with the exchange of the population and the implementation of the principle of collective guilt in the first postwar years; the other problem stems, in their view, from the heretofore unresolved status of the Hungarian minority in Slovakia.

Today it is quite obvious that the enforcement of the principle of collective guilt, sanctioned by Benes's decrees and certain laws of the Slovak National Council, caused considerable injustice and harm to many citizens of Hungarian nationality. At the conference in The Hague, Jozef Jamnický, a Slovak historian, spoke about

that very frankly and critically, which even the Hungarian participants appreciated. However, all we could hear from the Hungarian historians was their traditionally one-sided interpretation of events after the war and of the postwar development of Slovak-Hungarian relations, which they reduced practically to nothing more than the situation of the Hungarian minority in Slovakia after the war.

According to Gyula Popely, a historian as well as chairman of the Hungarian People's Party, and to the historian Peter Tamaska, Slovak-Hungarian relations became entangled only after the spring of 1945, as though our coexistence had not been snarled in the period between the two wars by the Hungarian irredentists and, above all, by the Vienna arbitration, the military intervention in March 1939 in eastern Slovakia, and the wartime policies of the Hungarian Government toward the Slovak minority. Furthermore, both historians see the status of the Hungarian minority after the conclusion of the Czechoslovak-Hungarian interstate treaty predominantly in dark colors. Although they cannot deny what is undeniable—that is, the organization of the Hungarian school system and cultural institutions in Slovakia—Gyula Popely alleges that the "final solution" of the Hungarian problem (that term should obviously evoke the Nazi extermination of Jews) "has only been postponed." In his opinion, the Hungarians in Slovakia are even today involved in a struggle for "their survival or total annihilation." Nevertheless, this allegation is not a historian's or a political scientist's view of the status of the Hungarians in Slovakia but unadulterated political rhetoric from a twisted, misleading, and, thus, dangerous perspective, which can hardly help improve Hungarian-Slovak relations.

Geza Entz, secretary of state of the Hungarian Government, also used forceful political rhetoric at the conference. Mr. Secretary of State expects emotional factors to predominate in Slovakia due to the efforts to achieve state independence; he is not surprised that a feeling of danger is being artificially stirred up among the Slovak people, that an enemy is being sought at all costs, and that, "bluntly speaking," the Hungarians are presented as an obstacle to Slovak national aspirations. G. Entz did not omit mentioning even our language law, which does not guarantee national minorities the right to use their own language in official contacts; moreover, he touched upon the Slovak Constitution, which allegedly does not guarantee the minorities any real right to establish schools in their own language. According to Entz, the

lack of constitutional guarantees and the denial of the right of self-administration have spurred "dangerous efforts to completely eradicate the minorities."

Heard from the lips of the Hungarian Government official, this tone, more confrontational than conciliatory, found vigorous support in the words of Agnes Szent-Ivanyi, an adviser to the Hungarian president, who courageously painted a bogeyman of a "Russian postcommunist alliance," which would lead to "another revival of the old ideologies in this particular (Carpathian—author's note) area." This Hungarian political scientist added a warning about the grave political consequences if the community of nations should fail to pay attention to the "threat coming from Slovakia" and automatically recognize an independent Slovakia "without adequate guarantees."

Despite the strong warning by the Hungarian political scientist, the world still recognizes the independent Slovakia, but that does not mean our young state is automatically guaranteed a stable and secure spot in the international orchestra of sovereign countries. A great deal will depend primarily on our internal political and socioeconomic situation and, consequently, on the way we are seen abroad. Therefore, our own deeds will be of the highest importance; a secondary role in the shaping of our image will be played by the intentionally or unintentionally biased "information" about Slovakia appearing in certain foreign mass media.

Our respect for international covenants on human and civil rights and, in that framework, ethnic rights is one of the "closely watched" conditions for membership in European supranational institutions and our credibility in the international community. The main tone is set in documents of the Helsinki process, which formulated in an increasingly complex and detailed form the criteria for rating human and civil rights.

The Dutch participants advised the members (or, rather, the politicians) of the Hungarian minority that, instead of constantly emphasizing their demands for self-government and autonomy (which only heightens tensions while internal political relaxation is in the best Hungarian interest), they should press for the adoption of a fair language law and teaching in their mother language. These recommendations by a third party reflect the scope of criteria for the evaluation of solutions to problems of nationalities, established by the CSCE European member nations, which all interested parties in the Carpathian Basin should bear in mind.

* Chamber of Deputies Chairman on Parliament
93CH0524B Prague ZEMEDELSKE NOVINY in
Czech 26 Mar 93 p 4

[Interview with Milan Uhde, chairman of the Chamber of Deputies of the Czech Republic, by Katerina Sladkova; place and date not given: "Milan Uhde Talks About Deputies' Salaries, Corruption, and the Journey Through the 'Valley of Death': Some Things Simply Aren't Done"]

[Text] The Czech parliament did not exactly do well in the results of the February public opinion poll on the citizens' confidence in our supreme institutions. While 33 percent of the citizens did not trust parliament, thereby showing a 5-percent "improvement" as opposed to December, 49 percent stated that they had no confidence in parliament, which is a drop of 8 percent as compared with December. We therefore posed the following questions to the chairman of the Chamber of Deputies of the Czech Republic, Milan Uhde:

[Sladkova] To what do you ascribe this not very flattering result?

[Uhde] I do not believe that the reason for the drop in citizens' favor is political. If it were, the Government of the CR would not enjoy such a relatively high level of popularity in the same poll. If the respondents like the government, it means they do not object to the direction politics is taking in our country. I believe that the drop in parliament's popularity is due to the fact that, partly because of television broadcasts and the information provided in the media, it represents a heterogenous element and thus is less convincing. I believe this is a concomitant phenomenon in relation to the popularity or unpopularity of all parliaments. While the federation existed, the Federal Assembly bore this burden. Because it no longer exists, the more critical attitudes among the public have been transferred to the parliament of the Czech Republic. Personally, I am also convinced that the way parliament appeared during the television broadcast of the election of the president of the CR also played a role in the poll's results. Many citizens—and this is borne out by their letters—blamed parliament for allowing such an undignified process. They even reproached me for not preventing it. I had to explain—and I am doing so again now—that the rules of procedure, which we do not like but that are still valid, unfortunately do not permit the chairman to reprimand a deputy, for example, for taking an improper tone. Thus, the reflection cast on parliament is such that I am not surprised at the drop in popularity. However, we are working hard on new rules of procedure.

[Sladkova] Don't you think that the citizens' confidence in this parliament was also damaged by the position it took toward the law on its seat, whereby it took over several additional, adjacent buildings? Or by the very recent proposal to increase the overall salaries of the deputies?

[Uhde] I believe that, if we put any job under the microscope, we will conclude that people are either getting too much or, on the contrary, too little. I believe that looking through the microscope can lead to considerable distortion. I have often said that this parliament has all of the shortcomings and all of the virtues of the overall population of this country. It is no better and no worse. One citizen wrote to me, saying that the deputies should be models for others and thus should work gratis. Another reminded me that the CNR [Czech National Council], founded in 1968, worked for a mere supplement of 1,700 Czech korunas, over and above "civilian" pay. Naturally, I do not believe that the deputies would die if they received lower salaries than they do now. On the other hand, I must honestly say that living the kind of life deputies are forced to live, under such stressful conditions, at such a hectic pace, cannot be compensated by any amount of income.

[Sladkova] I understand that you cannot say anything to the contrary....

[Uhde] I do not laud the deputies, nor do I compose songs about their sufferings. They chose freely to follow this path, and the doors of parliament are not locked from the inside. Anyone who discovers that he cannot endure a deputy's work is free to hand in his resignation. But I would say that the loss of privacy and family life, the nonexistence of free time, and the lack of vacations are convincing reasons to demonstrate that deputies are not overpaid. For instance, the public knows almost nothing about the number of deputies' marriages that break up or about many other negative consequences of this work.

[Sladkova] You say that the deputies are more than fully occupied. But how does that equate with the fact that many of them run private businesses?

[Uhde] I would say that deputies run businesses because the law does not forbid them to do so. But I do not believe that a deputy who has a business runs it himself. He usually employs someone to do the practical part for him. If he does run it himself, he obviously has to skimp on work somewhere. But I would not like a few individuals to cast a shadow over the vast majority.

[Sladkova] The shadow would not have to be cast if the business activities of public figures, as well as other persons who come in contact with "highly salable information," were regulated by law. There has been talk for a long time about a law on conflict of interest; privatization is now in its third year, yet there still is no applicable standard. Will there be?

[Uhde] I can tell you that Deputy Chairman Ledvinka (ODA [Civic Democratic Alliance]) and his assistants are drafting this law, and, as far as I know, it will be very stringent, especially in relation to deputies' business activities. It is based on the premise that, if deputies are well remunerated, the law should prohibit their secondary activities.

[Sladkova] Let us assume that this law will be passed soon and that the deputies will stop running businesses. They will be immediately replaced by wives, siblings, close relatives, and friends because there will probably be nothing to prevent them from doing this. As they say, "The wolf shall eat his fill, but the goat will not be harmed." Or am I wrong?

[Uhde] I consider this to be a very complex issue. What right do we have to restrict a family member? For example, my wife was not allowed to take part in a single chemistry symposium for 20 years because I was a signatory of the Charta. If she were to now have to limit her activities as a publisher, this time, for a change, because I am the chairman of parliament, I would consider that to be wrong. I think the law has options for recourse other than harsh prohibition. For example, spouses could, in accordance with the law in effect, divide their common assets through a legal statement, which would achieve totally lucid property relations within a family, especially in regard to whose property it is and by how much it has grown.

[Sladkova] But that would solve only part of the problem. What I have in mind is the fact that a public figure can very effectively influence, let us say, the success of the businesses of those who are close to him.

[Uhde] You are clearly talking about favoritism. I am sure that, unless we eliminate favoritism altogether, it will not be sufficient to ensure that family members of public figures cannot run businesses. Favoritism is a deep-rooted sickness, and, for instance, if someone were to react to a telephone call from a deputy by making a decision different from what it would have been had he not received the call, that would be very bad. Apart from that, a deputy can ensure favoritism for a friend, if not for his family, and even derive certain advantages from it for himself.

[Sladkova] Don't you feel that the present stage of development of our society provides especially propitious conditions for corruption?

[Uhde] I can only speak for myself. I probably have "something branded on my forehead" because no one has contacted me in this connection. Actually, it did happen once, but I did not realize that it was an offer for "cooperation" until half an hour after the respective individual had left. It was in regard to a privatization project, and I explained to him three times that he had made a mistake because I really did not understand the specific problems. I was told, "We know, but all the same...." In the same way, I scrupulously cling to the principle that I will not intercede on any issue. I am well aware of the fact that, if I go somewhere and start making inquiries, that could be interpreted as intercession.

[Sladkova] So you do not know anything about corruption?

[Uhde] I admit that I hear a lot about it. Because it is so widespread, such information reminds one of "conventional wisdom," which states that one cannot get by without corruption. It would be naive of me to state unequivocally that it does not happen. Understandably, the danger exists and grows wherever things are done without public scrutiny, especially when they happen very fast.

[Sladkova] Presumably you are talking about the privatization process.

[Uhde] Of course. Speed is a basic prerequisite for success in connection with privatization. Therefore, it is not possible to check everything and to X-ray every project. Thus, there are plenty of roads and byways that can be used to advantage. However, I have not seen this with my own eyes. Even when there were accusations of corruption and it was stated that proof would be furnished within three days, it was not furnished with the end effect. Indeed, it is very difficult. One would have to sit in a closet, watching through the keyhole, while others negotiate and something changes hands. However, I am sure that much of this is due to our innate inclination to always assume the worst motives. If a minister makes a decision on a privatization project, others say: "Of course, it was his friend." No one is interested in the fact that the privatization project really was the best of all those submitted. If we recall the nationalization process following 1948, it is obvious that terrible things took place. No one can calculate how much property was lost or how much was stolen. I hope I am neither demoralized nor a cynic, and that I am not automatically turning the process of privatization into the exact opposite of nationalization. Nevertheless, I do not think that I or any other rational person, regardless of political convictions, can have any illusions that this reversed process is a process accompanied by choirs of angels, and that the Lord is favorably disposed toward it. It is a hard road, a journey through the Valley of Death, as V. Klaus so appropriately described it some time ago. We have no choice but to pass through it as fast as we can and to bear all of the consequences.

[Sladkova] Do you think parliament can draft regulations that would at least make corruption more difficult, even if they could not eliminate it altogether?

[Uhde] I wish legal regulations, and others, too, existed that would instill a rule into this society, according to which anyone caught in a corrupt act would no longer be able to make his living in that particular sphere. This has still not become innate. The situation with incompetent employees is similar. They transfer from one job to the next and from one state agency to another, totally unhindered. However, I am not sure that parliament can get an employer to think twice about employing someone who has been implicated in a dubious affair or whose work is unsatisfactory. We somehow changed from the old type of staffing to total freedom, and that is causing the problems we are talking about. Apart from that, the fact that some things simply are not done has not yet

become innate to this society. We have a long road to travel before we acquire such habits. I would like to give as an example a Czech engineer working in the FRG. He discovered that there was a small gasoline pump selling much cheaper fuel in the company's courtyard. So he filled his gas tank there. A little later, his boss summoned him and reprimanded him for doing it. Our engineer asked what he had done wrong, whether it was forbidden. He received the answer that no, it was not. In fact, the pump attendant was obliged to sell him the gasoline. However, the pump was designated for socially disadvantaged employees and he, with an income of 6,000 German marks, was not socially disadvantaged. In short, as I have already mentioned, some things simply are not done, even if they are not explicitly forbidden. Stated figuratively, privatization is that alluring pump in the courtyard, but deputies should not use it under any circumstances.

*** Prague Historian Revives Mitteleuropa Concept**

93CH0528A Frankfurt/Main FRANKFURTER
ALLGEMEINE in German 31 Mar 93 p 14

[Article by Johann Georg Reissmueller: "A Central European in Prague—The Views of Rudolf Kucera"]

[Text] Prague, Mar—"The Czechoslovak constitutional state ceased to exist in the fall of 1938." This is being said by political scientist and historian Rudolf Kucera, who occupies an academic chair at Charles University in Prague, is the head of the "Institute for Central European Culture and Policy," and is the publisher of the periodical *MITTELEUROPA* in Prague.

Anyone who talks this way in Bohemia today can expect only slight approbation. The democratic Prague state harbors the legend that humanity and rights were not destroyed in Czechoslovakia until February of 1948, when the Communists took power away from the Democrats. But in 1945, the Benes-Gottwald regime placed Germans (as well as Hungarians) in the country outside of the law and deported them. Crimes, including mass murders, committed against Germans and Hungarians were not only considered unpunishable according to a law dated 8 May 1946, but were even proclaimed to be lawful.

From the beginning, liberated Czechoslovakia only permitted the existence of parties that suited the petit bourgeois socialist Benes and the bolshevik Gottwald. In Bohemia, these were four parties, three of which were socialist. For example, the tradition-rich Agrarian Party, the strongest political formation of the interwar years, was not permitted to be revived. In punishing collaborators from the period of the so-called Protectorate [of Bohemia and Moravia], Benes and Gottwald also practiced class warfare and settled personal scores. During the period from May 1945 through February 1948, no one could defend themselves against the arbitrary methods employed by Nosek, communist minister of the interior. That is how things were in those days in

Czechoslovakia. Yet political scientist and historian Kucera does not meet with much appreciation when he says that the constitutional state of law in Czechoslovakia did not disappear as late as 1948. All state standards regarding indemnification and restitution hew to the date of February 1948. Any expropriations which took place before that date are considered lawful because they were allegedly ordered by a constitutional state.

Kucera is also swimming against the current with his published views regarding the German question in the Czech state. He considers the expatriation of Germans as having been an injustice and proposes that consideration be given to the possibility that those who were expatriated could return to their homeland and could acquire citizenship here, and that they might be indemnified through the use of state property—primarily in terms of real estate and land. Kucera considers it a mistake that the 1992 German-Czechoslovak good-neighbor treaty overlooks the question of indemnification as though it did not exist. The question of a mutual German-Czech settlement is said to be open and will one day have to be regulated. In Kucera's opinion, this presupposes that the German notions would be moderate and realistic.

These viewpoints of Kucera's are based on his ideas of Mitteleuropa, which also runs contrary to any bolshevism and nationalism, no matter how watered down they might be. For him, the relationship between Czechs and Germans is one of the central theses of Central European policy and culture. He contends that in the European region, which until 1918 was the Hapsburg Empire, nations should not live alongside each other, but together, in peace, in good harmony, and in close collaboration. Kucera would like to see the least amount of borders in this Central Europe and as few as possible national states. The national state of the 19th century, he says, had been a mistake from the very beginning with its claims of exclusivity, its displacement efforts, and its animosities within the state borders as well as beyond these borders.

How much approval does Kucera find in the Czech lands for his notions of a Central Europe? After four decades of communist-nationalist narrow-mindedness, the people lack any knowledge of history and any sense for history, they are short on mental sovereignty, which is said to be necessary to accomplish a reorientation. Yet, among the younger generations, the interest in the topic of Mitteleuropa is growing rapidly. The documents published by the Kucera institute are always sold quickly. He finds the greatest response among the younger historians. There, the desire to leave the old methods of thinking and feeling behind is the strongest. These methods and feelings tended to restrict research and writing during communist times, but had been preformed, to a great extent, as early as the era which followed the beginning of national maturity among Czechs during the first half of the last century and thereafter, particularly in the times between wars.

In the political world, Kucera finds absolute support for his ideas regarding Central Europe and for a new relationship with Germans most easily among the conservative and Catholic circles. Primarily, in the small Christian Democratic Party of Vaclav Benda; somewhat less in the tradition-rich, also Catholic-oriented, People's Party headed by Lux, minister of agriculture. The economically, technocratically oriented Prime Minister Klaus has little time for the Central European concept. His eyes are focused on West Europe and the United States. In the arguments surrounding the expatriation of Germans and the resulting consequences, he remains conspicuously reticent—possibly because of political expediency. Had he publicly questioned the legality or even just the decency of the expatriations, his election victory of last year might have been narrower.

Yet, in the conservative portion of the rightist-liberal-conservative Civic Democratic Party of Klaus, Central European Kucera sees many a piece of fertile ground. He also notes some open receptiveness among some people in the small liberal-conservative Civic Democratic Alliance of Jan Kalvoda. For a long time, the left only disapproved. In most recent times, Social Democrats are showing some interest here and there.

Kucera's principal opponents, apart from the bolsheviks, are those Czechs who are deeply rooted in the Benes tradition. The left-nationalist president of the prewar and postwar period still enjoys a sizable following; there is even a Benes cult. Kucera finds this understandable. After all, Benes had been a prohibited figure for four decades and he personified the first 20 years of modern Czech sovereign statehood. He says that the realization as to how devastating his always pro-Soviet and for the most part anti-German policies were for the Czech nation will only be slow in coming. Kucera and his institute for Central Europe want to contribute to clarifying the situation; a seminar has dealt with "Benes and Central Europe."

Kucera and his collaborators can totally concentrate upon their project. Their time and forces make no claim upon a large administrative apparatus. A few small rooms in a rear courtyard in the external section of a building on Vysehradska Street, in an area where the city of Prague almost has a small town atmosphere; the sparse resources are not adequate for anything more. Everywhere in the scientific and cultural life in the Czech lands, savings beyond the limit of pain are in order. The academy of sciences and the university are letting scientific personnel go; Kucera, docent and holder of a teaching chair, will also lose employees. And yet he is accustomed to difficulties. How else could it be for a man with such views?

* IMF Representative Evaluates Czech Situation

93CH0524A Prague TELEGRAF in Czech 25 Mar 93
p 3

[Interview with Jeremy V. Carter, a representative of the IMF, by Jiri Polak; place and date not given: "Czech Republic Trusted Abroad"]

[Text] Last week, a new agreement between the IMF and the Czech Republic was approved by the Executive Board. Therefore, we requested a short interview with the representative of the IMF in the Czech Republic, Mr. Jeremy V. Carter.

[Polak] Could you evaluate the significance of this new agreement?

[Carter] It is a financial agreement between the IMF and the Czech Republic and is structured similarly to other financial agreements. It is a 12-month agreement, it went into effect last week, and the financing is divided into two phases. The first sum of money, which was released immediately, amounts to 70 million SDR (Special Drawing Rights), which is approximately \$100 million. The reason underlying the fact that this money is being released is the attempt to increase the reserves of the CNB [Czech National Bank]. When they were drafting the agreement, the authors focused on two points in particular. The first is the fact that the CR is not expected to have a negative balance of payments this year overall. Therefore, it is unlikely that it will need additional funding from the IMF.

[Polak] What is the reason for this expectation?

[Carter] There are basically two reasons. First, the Czech Republic is not expected to have a foreign currency deficit; this means that the export of goods and services is expected to exceed imports. Furthermore, the CR is expected to obtain a substantial amount of direct investments in 1993. Therefore, this should provide the resources to increase the foreign currency reserves. The second point, which was important in drafting this agreement, is the trust foreigners have in the CR; the CR Government and the national bank have access to the international capital market. This was demonstrated recently by the issue of bonds in the amount of \$375 million. This means that the CR will either be able to obtain resources to increase the reserves from its own balance of payments, or direct investments, or that it will be able to borrow on normal market terms. This is an extremely positive attribute for the CR because it involves something that has so far been denied to most Central and East European countries, especially the countries of the former Soviet Union. And there you have the basic framework of the agreement with the IMF.

[Polak] What if the situation changes and the expectations are not realized?

[Carter] If the situation turns out to be less favorable than expected, we will be able to review it, something that is planned anyway, and we can ensure the supply of additional funds. That would happen under the normal terms of the IMF; it means that what we call the performance criteria for monitoring the success of an economic policy would be reviewed. In your case, that would be a matter of facilitation. Admittedly, you are not expected to need the whole program, which includes an amount of approximately \$243 million, but, if the

situation should change, the Executive Board will release additional funds, without the need for further major talks.

[Polak] The CR is expected to start repaying the IMF loans no later than the beginning of next year.

[Carter] Yes, as long as the CR has sufficient reserves, there is a real expectation that the previously mentioned \$100 million could be paid back during the program—in other words, during the next 12 months. But that is not the main attribute. It would merely demonstrate the favorable position the government is expected to be in. Usually, the repayment of the resources provided begins three years after the termination of the period for which the funds were borrowed. The time schedule for repaying all loans, in your case, starts in 1994 and continues to 1999.

* Western Investors Said Discovering CR

93CH0525A Prague HOSPODARSKE NOVINY in Czech 8 Mar 93 pp 1, 14

[Article by Olivie Miskova: "Miracle in the Heart of Europe?"]

[Text] Investment strategists in the West are said to be discovering a "new country of economic miracle," the Czech Republic, even though its government does not grant foreign investors any subsidies or tax abatements. Whereas East Germany is losing attractiveness, the CR is gaining it.

Such are the conclusions reached, primarily from the viewpoint of the West German strategists and investors, by the evaluation of the CR, as they were published in a survey by the weekly *WIRTSCHAFTSWOCHE*.

In Germany, one can even detect concern for domestic jobs or the level of wages, when, for example, the Nuernberg officials of the labor union IG Metall find that the CR is turning into a "South Korea outside the door": Low personal costs, normal productivity, an economy-friendly government—and all of this not on the other side of the globe but in a country whose capital, Prague, is closer to Munich or Stuttgart than Dresden, Berlin, or Hamburg.

But, it is said, what makes labor unions nervous gives courage to many investors, whose increasing interest in the CR is also ascribed to the decreasing attractiveness of East Germany: Decisive for them is the fact that the CR has a comparable level of productivity while having a lower level of wages. That, calculated in German marks, is only about one-tenth of the level of wages in West Germany, whereas, in East Germany, it is about 60 percent. Of course, the domestic buying power of the Czech koruna is almost triple that of its external value.

The fact that earnings in the CR have already begun to climb is not a deterrent, given the mentioned difference. Because, in contrast to other countries of East Europe

and the Third World, the level of skills and productivity of CR workers is the same as in West Europe.

In the summary of present activities and experiences of investors (in various industrial branches and sectors) with setting up production and joint ventures, it is said that, in the CR, these enterprises are producing "quality at absolutely the Western level but unbelievably cheaply," that it is only there that many West German enterprises are able to manufacture many globally traded kinds of goods at a profit, as is documented by examples and calculations.

The same applies also to very high-cost products, such as machine tools. It was mentioned, for example, that a simple lathe from China today costs approximately 25,000 German marks [DM]. For the same piece of machinery manufactured in Germany, entrepreneurs would have to expect the cost to be, if only because of the level of wages, DM 35,000, but, if they manufacture it in the CR, only about DM 12,000. The Czech lands at the same time represent "a unique opportunity" for many Western machine-tool enterprises, which prefer to buy their future competition there rather than face it.

Heavy machinery enterprises, mainly manufacturers who supply the power industry, such as Asea Brown Boveri (ABB), invest in the CR according to "the philosophy of being as close as possible to the customer." As their experience taught them, they can fill state orders for their turbines, heavy current technology, or even railroad cars for East Germany, which is threatened by high unemployment, similarly as for other postcommunist countries, only at moderate prices and under the condition that they manufacture parts in situ and that 10-50 percent of the produced value stays in the country. This consideration also played a part in ABB's decision to increase in January the number of employees in the CR from a few workers to 6,400.

Among the examples of increasing "expeditions" of other than German enterprises to the CR—besides the French ones, mainly from the United States—the investment move by the U.S. giant Philip Morris in Kutna Hora is considered practically risk-free: The international antismoking wave has not reached Central Europe yet, and, given the deep changes in all living conditions, consumers tend to remain faithful to their favorite brands. (Examples that are quite new, such the setting up of the joint venture Newco USA with Skoda Plzen, are not yet included, of course.)

In the eyes of Western investors, the CR is now seen as the new miracle country, even despite all of the present difficulties resulting from the breakup of the former CSFR, involving currency and the privatization of the old state properties, and, for the time being, even in spite of the fact that the government does not intend to grant tax exemptions to foreign investors (as it confirmed again several days ago in connection with the opposite Slovak plan). The powerful attraction of the manufacturing conditions and the market is still winning over the

greatest obstacle investors find, in comparison to the Western countries, in the cumbersome and incompetent bureaucracy. And also in not paying attention to the problem that capable people are leaving government service for the private sector.

For the future, however, the open question remains: How long can Prague manage without providing guarantees and advantages to foreign investors? Some signs of greater flexibility in dealing with them are already being observed. As Prague experts are also pointing out, the CR is competing for foreign capital not only with Slovakia, but also with Hungary, Ireland, and Portugal. In the lists of competitors, the former GDR is said not to be mentioned at all.

* Czech Bank Accepts Foreign Small-Business Loans

93CH0525D Prague HOSPODARSKE NOVINY in Czech 23 Mar 93 p 9

[Article by Hana Nemcova and Olga Cudova of the Czech National Bank: "Almost 4 Billion for Czech Economy"]

[Text] In the second half of February of this year, the Czech National Bank (CNB) concluded two agreements on accepting loans for the economy of the Czech Republic to support small and medium-size projects and businesses.

CNB, as the central bank of the state, will be the recipient of the loans and therefore a debtor to the European Investment Bank [EIB] in the so-called Global Apex Loan, and to the Export-Import Bank of Japan in the so-called Two-Step Loan. The planned financing certainly does not belong among the typical activities of central banks. But, in deciding whether to accept the loans described below, the broader circumstances of the present economic development in the CR, especially the continued revitalization of economic growth and the shortage of long-term financial resources for small and medium-size businessmen, were also taken into account.

1. The financial agreement on extending credit in the amount of 57 million ECU's [European Currency Units] (about 1.7 billion Czech korunas [Kc]) by EIB was signed by the highest officials of EIB and the CNB in Prague on 18 February 1993. On the basis of that agreement, which rests on the Framework Agreement on Financial Cooperation between EIB and the CR signed on the same day in Prague by the deputy chairman of EIB and the CR minister of finance, EIB, in the course of the next three years, will make available to the Czech economy through the CNB the financial means to cofinance projects whose budgeted costs are between 40,000 and 20 million ECU's.

EIB will provide loans of up to 50 percent of the investment costs for projects in selected branches such as industry, agriculture and related services, tourism, environmental protection, and energy conservation. EIB

gives preference to projects that are carried out within the framework of joint enterprises with entities from EC member countries. Projects in the area of social infrastructure (health care, education, social services, and so forth) do not come under consideration for financing by EIB. Also ruled out is the financing of iron, steel, and the shipbuilding industry and the manufacture of motor vehicles and synthetic fibers. Sectors such as textiles, ready-made apparel, fashion accessories, footwear, the manufacture of parts and accessories for motor vehicles, and consumer electronics are considered by EIB to be "sensitive" sectors from the standpoint of cofinancing.

By means of this loan, EIB makes available long-term financing for smaller volume investments in the sphere of manufacturing and infrastructure and thus contributes to a balanced development of the structure of the economy and economic growth. The loan is granted to the CNB as the central financial institution of the CR, which will then provide these means in the form of a larger number of smaller loans for small and medium-size investment plans, approved by EIB, to the appropriate commercial bank.

The basic precondition of EIB participation in providing a loan for a given project is, first of all, a guarantee that the financial means necessary for cofinancing it are available—that is, at least 50 percent of investment costs. The source of these finances can be the investor's own money or a loan from a domestic or foreign bank.

Then EIB studies especially the economic, technical, and financial aspect of each project it finances and whether the investment plan is in accord with the economic policy of a given country and its priority programs for development. The projects also must not be in conflict with the country's obligations toward international institutions and must be economically important, with commensurate macroeconomic profitability. An essential part of evaluating each project is the impact of the investment project on the environment.

The conditions of the EIB loan will be transferred by the CNB through the financial middleman—that is, the selected commercial bank—onto the ultimate user of the loan. In view of the fact that these are long-term loans, the due date of the loan is 15 years, with some deferral of the first payment on the principal. The interest rate has no relationship to the beneficiary of the loan, the kind and locality of the cofinanced project. It is set firmly for the entire duration of the individual portions of the loan at a rate at which EIB itself will borrow money on the capital market, with only an additional 0.15 percent per annum for the CNB. The EIB loans are paid out in various currencies or currency baskets, mostly according to the wishes of the loan beneficiaries. In question are primarily the currencies of the EC countries, ECU's, U.S. dollars, Swiss francs, and Japanese yen. The interest and principal payments are made semiannually in the same portions and currencies in which the loan was granted.

An agreement with the same content was arranged between EIB and the then Czechoslovak State bank as early as the middle of last year, but, in view of the expected new state setup of the CSFR, the process of implementing it was stopped, and preparations for the renegotiation of the relevant documents of the agreement for both newly emerged entities on the debtor side began toward the end of 1992.

Now, after the signing of the so-called global credit tranche (Global Apex Loan), the CNB is ready to make credit agreements with the first financial middleman for the loan, which will be Commercial Bank, Inc. of Prague.

Interested enterprises and entrepreneurs who want to secure advantageous sources of financing for their quality projects and who have found the minimum of 50 percent of financial resources by other means and made their projects ready for evaluation according to high European standards can apply to the Advisory and Analysis Department in the Prague headquarters of Commercial Bank, Inc.

To provide full information on the loans offered by EIB, it should be added that, besides the amount of the described loan—Global Apex Loan—EIB also provides loans to large projects whose total budgeted costs exceed the limit of 20 million ECU's. In such cases, EIB makes the money available directly to the proposer of the project. At present, projects of the following proposers are being worked on and negotiated: Telekomunikace, Skoda Volkswagen, and Kontrola letového provozu [Air Traffic Control].

2. The second agreement, between the Export Import Bank of Japan and the CNB, was signed by the governors of both banks on 23 February 1993 in Tokyo. A loan in the amount of 8.7 billion yen (about \$67 million, Kč2 billion) is intended for the support of small and medium-size entrepreneurial activity in the CR. The debtor to the Japanese side for this loan is again the CNB, which will again lend this money through selected commercial banks to finance promising projects and direct imports.

The loan agreed upon by the CNB and the Japanese side is also long-term (15 years). However, it will depend on the quality of individual projects and the decision of the commercial banks on whether they will use this facility as a long-term or a medium-term source of financing.

No military production, services, or projects whose character could threaten public morals can be financed out of this loan. Defined as small only for the purposes of this loan is an enterprise with five to 99 employees, and as medium one with 100 to 500 employees. It can be assumed, therefore, that, given such conditions, these resources will find application among a wide entrepreneurial public. A maximum of 70 percent of the total value of the project can be financed out of the Two-Step Loan. The amount of the credit must be between \$20,000 and \$10 million.

The loan has specific approval regulations, and projects approved by the commercial banks for financing must be verified by the Japanese partners before the money is released for financing (only in cases where projects for over \$1 million are involved). Those interested in making use of these resources for financing their entrepreneurial activities are therefore advised even in this case to turn to the branches of their financial institutions, or, in the first stage, to the Department of Foreign Trade Promotion of Commercial Bank, Inc., Prague.

It is clear from the foregoing that the CNB will bring, on the basis of both above-mentioned signed agreements, relatively cheap long-term financial means into the economy of the CR. It is therefore in the interest of enterprises and entrepreneurs to use this opportunity in the most effective way because a similar action by the central bank will probably not be repeated in the future.

*** Loans for Slovak Purchases of Czech Goods**

93CH0525E Prague HOSPODARSKE NOVINY in Czech 9 Mar 93 p 3

[Commentary by Marcela Doleckova: "No More Dreams"]

Text] Kazimir Kmet, president of the strongest industrial lobby in Slovakia, the Union of Industries, complained at the general meeting of the Czech Union of Industries last week in Jihlava that, of the promised customs and currency union between the Czech Republic and the Slovak Republic, practically nothing has been left after two months. There is only regulatory machinery that complicates everyday economic life. He then went on to call the system of payments between the two states straight out unresolved. In a broadcast on CT 1 [Czech Television 1], the governor of the Czech National Bank, J. Tosovsky, reacted to his statement by saying that the system is only a conduit. Whether anything will flow through it is not a matter of the system but of its users.

Laments about how administratively demanding Czech-Slovak trade is are not entirely fair because they do not take into account a well-known fact that cannot be negotiated away: the fact that foreign trade is always administratively more complicated than trade within a state. When we therefore put aside this "obstacle"—and, in time, businessmen will learn to handle the more complicated administrative aspect of it—the cardinal question is different: Do the "users of the system"—Czech and Slovak enterprises—have something to put into the system? Or, in other words, do they have the money to make mutual payments?

Considering the fact how wretched the payments discipline is even inside the CR, we cannot have too many illusions. Of course, the problem lies mainly in the fact that the volume of goods traveling from the Czech lands to Slovakia simply has always been larger than in the opposite direction, and, therefore, today the Slovak customers should be pouring more money into the

conduit than Czech enterprises. Obviously that is not the case. It is obvious from the balance in the new file, which keeps track of mutual payments after the currency separation, where the indebtedness of Slovakia to the CR is growing. The rate adjustments of the Slovak and Czech korunas against the recalculating ECU [European Currency Unit], which were already implemented, can have only a marginal effect. The problem lies somewhere else. Simply, Slovak enterprises probably do not have the money to pay for Czech imports. Did they perhaps have the money during the time of the single state? Probably not then either, but the situation appeared easier thanks to that budgetary "money-conduit" through which about 25 billion of the former common currency flowed to Slovakia each year. Many in the Czech lands were upset by it and indicated that, when that money-conduit is cut off, we shall be in clover. We will not, and we are not. I am afraid that the breathing space, which the original currency union and then at least the payments agreement were to give Czech enterprises to find new markets, is simply too short, even if it were to last longer than looks realistic at the moment.

Czech enterprises would need at least an overall revival of global prosperity, and, even were that to happen, it would still take some time before better global prospects were reflected in the present situation of the enterprises. So even the second Czech vision, which was based on the fact that Munich is in fact closer than Kosice, has bitten the dust. Munich is closer, to be sure, but has no interest in Czech goods, first, because the enterprises that are still protected from bankruptcies have been unable to markedly improve the competitiveness of their products, and, second, because the improvement of the global economy has been really weak.

On Sunday, Prime Minister Meciar called on Slovaks to buy Slovak goods. That is a smart idea, and it is a shame that Czech producers are playing that tune so infrequently. Nevertheless, not even the loudest music will help the sales of Czech goods, whose volume of production was designed for the Czechoslovak state. So today, this is the issue: We cut off the money-conduit, so would it not be worth while to offer Slovakia credit? That is already being done more or less within the framework of the payments system anyway. After all, credits for the purchase of their products are being given even by advanced countries, from Germany to the United States. True, they have more resources for it than the CR. Nevertheless, I urge that this be taken into consideration.

*** Breakup of Large Holding Companies Urged**
93CH0525C Prague HOSPODARSKE NOVINY in
Czech 9 Mar 93 p 11

[Article by Stanislav Vacha of EUROVIA, Prague: "Break Up Holding Companies? A Decision With Far-Reaching and Irreversible Consequences"]

[Text] Whereas insolvency and the threat of bankruptcies in a great number of enterprises have become

chronic problems, in the case of large machine-tool enterprises, the Czech Government was forced to step in. Minister Dlouhy sees the rational way to achieve a solution and the condition for help in breaking up the giant holding companies into smaller units (article "Five Minutes to Twelve," HOSPODARSKE NOVINY, 15 February 1993). I believe that this step, which Minister Dlouhy even styled "a new feature of his industrial policy," will not achieve the expected result, but, on the contrary, will have long-term negative consequences.

The substance of a holding company is control of several corporations by one company. At the same time, 100-percent ownership of the stock of the controlled enterprise is not a necessary condition for controlling it. In this sense, many banks and investment privatization funds, which will control dozens of enterprises, will come close to being a holding company. At the same time, these are not holding companies that combine the controlled enterprises into one entrepreneurial grouping (conglomerates).

What Is Bad About Holding Companies?

In the case of the holding companies that are at present at issue—Skoda Plzen, CKD Praha, Aero Praha, Tatra Koprivnice, and so forth—these have traditionally been large enterprises in which the parent corporation owns practically the entire stock of its subsidiaries, and, in addition, the holding company and subsidiaries are owned and managed as a single whole. This system came into existence on the basis of the former general directorates of the economic production units [VHJ], but today the situation is entirely different: (annual shareholders' meetings, board, supervisory board, management), its management generally consists of only a few dozen people rather than hundreds, does not direct operations but strategy, finances, and key personnel questions. And, after several changes of top management during the past three years, neither can we any longer talk about "old structures." Subsidiary corporations are independent legal entities. They manage their finances and issue their annual statements independently and carry on their business autonomously.

Advantages and Efficiency

This holding management of large enterprises is considered by modern theories of management to be very efficient. Its advantages:

- It completes the divisional setup as the subdivision units become independent enterprises (subsidiary corporations).
- Everything but the strategic, financial, and top personnel management is delegated to the subsidiary corporation.
- The responsibility of the individual subsidiaries for the results of their management and business operations is total, so that they also basically bear the risks, which enable the holding company to liquidate an

unsuccessful subsidiary without the others sharing in the loss. The same applies to the clear statement of profit of individual subsidiaries and a possible profit sharing in them.

—The holding company can also dominate the subsidiary by part ownership of its capital, which saves the capital of the holding company.

The reason a holding company system is used so frequently is that it enables even a large enterprise to be flexible in its entrepreneurial approach because it is a conglomerate of small independent companies. At the same time, it can behave like a powerful enterprise that knows how to concentrate forces and means into promising, grand entrepreneurial objectives. A holding company combines the advantages of both a large and a small enterprise. That is why, in our advisory role, we are helping to push a divisional and holding setup even in large enterprises, and foreign consulting firms are taking the same approach.

Rational Approach in Our Situation

Our government especially sees in a holding company the following negatives: The financial assistance granted by the government to the holding company as a unit may not be used optimally by the management of the holding company, but can be used to finance unpromising plans and subsidiaries, and thus be submerged in the redistribution processes. Instead of incompetent subsidiaries going bankrupt, the entire holding company could go bankrupt and might then be bought by someone for a ridiculous price.

Seeing a holding company system in this negative light is based on the belief that the market can more dependably evaluate individual enterprises and force the liquidation of the non-profitable and unpromising ones than the management of a holding company can or wants to. That, of course, is not a new feature of our industrial and privatization policy, but its dominant orientation from the very beginning of the economic reform. We need only recall the irrationalities and losses caused by the breakup of the wholesale marketing networks, while the quality of their system was precisely what was appreciated most by potential foreign customers.

As far as the mentioned holding companies are concerned, it can be said that all of the rational goals the government is aiming at can better be reached precisely through the holding companies rather than by their breakup, provided, of course, the management of the holding company has entrepreneurial competence and the government really wants to involve itself and not leave the enterprises, left after the holding company is broken up, at the mercy of the market and thus divest itself of responsibility. After all, individual assistance to prospective enterprises within a holding company can be given directly and not only through the holding company as a whole. A more effective use of the government's assistance can be demanded from the holding company

than if it is given to individual enterprises precisely because a holding company strengthens the potential of its subsidiaries.

This fact is not entirely unknown to our government. It is interesting that, in the case of CEZ, Inc. [Czechoslovak Electric Power Plants], the Czech Government is very strenuously resisting pressures to break up a system that makes it possible to apply the results of the entire system to benefit its future development.

Market-Oriented Structure

To select the optimal legal form and structure of an enterprise is a responsible decision with a long-term impact, which, in the case of breaking up holding companies, could be irreversible. The "choice bits" of the holding company could be picked out by foreign firms, and the rest would become defunct; also lost would be a great potentially viable enterprise with a long tradition, an existing entrepreneurial and technical structure, and a brand-name and reputation known around the world. Other governments help their large enterprise in such instances even in stable market economies, where enterprises are not carrying the load of past government decisions into an environment that is at a critical turning point.

This time, however, time works in favor of reason. During the few weeks that remain until the shares are turned over to the real owners of the holding companies—at the end of March—it is hardly possible that someone will succeed in breaking up the industrial giants that "escaped" the deconcentration policy of the government. The new shareholders should be able to force the holding company management to fully utilize all potential advantages of a holding company and quickly liquidate unpromising productions and even subsidiaries, and focus its strength and means in the direction of the highest profitability.

* Privatization Shares To Be Offered on Stock Market

93CH0525B Prague HOSPODARSKE NOVINY in Czech 11 Mar 93 p 1

[Article by Marcela Doleckova and Jana Havlingerova: "Jump Start the Capital Market"]

[Text] The National Property Fund [FNM] intends to offer shares, left over from the first round of privatization, on the stock market. The chairman of the FNM executive committee, Tomas Jezek, explains this decision as an effort to jump start the capital market.

This year, the FNM should "endow" the state budget with the amount of 9.5 billion Czech korunas [Kc] out of its income. Of this amount, Kc6.5 billion would go for liabilities of the Czechoslovak Commercial Bank that were taken over by the Ministries of Finance of both republics. Further, the FNM is supposed to restore the Investment Bank and the Czech Savings Bank to a sound

financial basis because those financial institutions used to grant preferential credits (loans to newlyweds, housing construction) within the framework of government policy. The amount of Kč1 billion will go to the Czech-Moravian Guaranty and Development Bank, which provides credit under preferential conditions to beginning entrepreneurs.

T. Jezek is convinced that the fund will meet these obligations, despite the fact that it is faced with additional tasks: covering the cost of ecological damage (the financial requirements cannot be expressed in numbers at this time), contributions to the health and pension fund, and assistance in liquidating debts after bankruptcies.

As far as ecology is concerned, the FNM is even now creating for itself a reserve of Kč2-3 billion in cash. It will give share capital in the amount of approximately Kč1.95 billion to the social funds. According to T. Jezek, those will be quality shares, which, if well managed, will ensure a decent income for the health and pension funds. The Consolidation Bank Praha will receive 3 billion, at this time earmarked for its capitalization. In addition, it is expected that the FNM will give it financial support to take part in rescue operations in bankruptcies. The original estimate, that the FNM will be able to offer at most Kč10 billion for this account, is now being "corrected" upwards by T. Jezek. The FNM prefers to deposit its liquidation resources for shorter terms with small, newly created banking institutions. It wants to support in this way their competitive position in the midst of large financial houses.

In selling its remaining shares, the fund intends to turn to the secondary market of the Prague stock exchange because it considers the start-up of the capital market a necessary stimulus for the transformation. T. Jezek is convinced that buyers will be found, which he substantiates by the fact that, even now, interested buyers are asking the fund about the unsold shares. The strategy of the future sale of the remaining shares (in individual shares or in lots) will be a matter of agreement with the Ministry of Privatization.

T. Jezek does not include shares of food-industry companies among the unsold shares. These shares, which are between 20 and 30 percent of the basic capital of every enterprise, will remain in the FNM until 1994, when, according to the existing agreement, they are to be offered to the primary agricultural production industry.

* Reaction to Postponement of Voucher Distribution

* Action Necessary

93CH0509A Prague CESKY DENIK in Czech
19 Mar 93 p 3

[Commentary by Petr Wawrosz: "A Decision on the Vouchers Is Necessary"]

[Text] By its decision on Wednesday that shares in Czech enterprises acquired in the voucher privatization will, for the time being, not be issued to the Slovak investors (and, of course, not to the Czech ones, either), the Czech Government made it unambiguously clear that it will continue to insist on rapid completion of the property settlement and on payment of the Slovak debts. There has long been discussion as to whether the Czech Government would actually reach this decision. Despite that, the actual announcement was an event that naturally brought about a stormy reaction.

Greater pressure for the payment of the Slovak debts is necessary. The Slovaks have attempted everything possible—and are still doing so—to slow down the process of property settlement and to acquire the greatest possible share of the property and the greatest advantages. This is still a matter of the old, familiar tactic of independence with the Czech insurance company that was rejected in the negotiations on the state legal composition and that must also be rejected now. It does not matter whether the Slovak debt to the former State Bank of Czechoslovakia, which is one of the main reasons for the government's decision, came about deliberately or through thoughtless nonpayment of obligations at the end of last year; the essential thing is that, so far, nothing testifies to the fact that Slovakia would want to pay the debt.

But the question still remains whether the shares from the voucher privatization are the true trump card for the Czech Government. The Slovak voucher holders and the investment privatization funds have acquired shares in the Czech Republic amounting to a total, with an accounting value, of 24 billion korunas [Kč], which almost corresponds to the amount Slovakia has not paid to the former State Bank of Czechoslovakia. Estimates of the market value of the shares, of course, differ greatly. Opinions have arisen that it could reach as much as Kč75 billion, but a number of economists feel that it will not exceed the accounting value or that it will even be slightly below it. So it is not certain whether these shares will prove to be enough to cover all of the Slovak debts. Furthermore, the government's decision does not affect the one most to blame for nonpayment, the Slovak Government, but, rather, the individual Slovak citizens and the investment privatization funds. We can only guess how these investors will react. The Slovak Government's negotiating style so far only makes one assume that they will wash their hands of the matter and try to deflect the anger back toward the Czech Government.

The decision also means a stop to the exercise of property rights for people who acquired their shares on the basis of the applicable regulations. All of this is further amplified by the fact that not even the Czech owners of Czech enterprises will receive their shares after 29 March, as was originally arranged. The government will establish a new schedule for issuing the shares. The current, strange nonownership status, where the management of the enterprises is de facto not responsible to anyone, must be ended as soon as possible. One of the

necessary conditions for a normally functioning economy is that the ownership relationships be clearly defined. The decision on a general halt to issuing shares thus likewise means a reduction in the rate of reform.

Despite all of these doubts, however, we must support the decision on halting the issuing of shares to Slovakia. Whatever the market value of the shares acquired by Slovak citizens and investment privatization funds is, if there is no other way out, it should be enough to compensate at least partially for the Slovak debts. A definitive decision that the Slovak investors will not get their shares should, however, be the last step to be taken—after all others have failed. The statement on Wednesday was correctly described by V. Klaus as the first move in a complex chess game, whose result should not be a trade war but normal economic relations in which the custom is to pay one's obligations on time and properly. This definitely is an aggressive chess opening, and, because the government has decided to take it, it must also reckon on a sharp response. This can be a reciprocal decision on not issuing Slovak shares to the Czech investors, threatening a reduction in the supplies of petroleum, and such actions. The government must know how to react to all of these Slovak moves, and in a way that Czech citizens are hurt the least. In addition to this, the issuing of shares to the Czech investors must not be clearly tied to the results of this chess game, and it is necessary to find a method to do this as soon as possible so that the reforms will continue.

* Last Chance

93CH0509B Prague MLADA FRONTA DNES in Czech
19 Mar p 14

[Interview with Minister Jan Strasky by Erich Handl and Vladimir Matejovsky; place and date not given: "The Last Trump Card of the Czech Government"]

[Text] [MLADA FRONTA DNES] What is the purpose of the Czech Government's decision?

[Strasky] It is a certain step in the negotiations. I am convinced that there is not a predominating opinion even in the Czech Government that it should definitely be done. The opinion, of course, predominates that negotiations on the division of property had become hung up on dead center. The interstate treaty that stems from the law on property division was, in essence, prepared in this wording as early as Christmas Eve, and, at least on our part—that is, the federal side—there was very serious interest in having it signed while the federation was in existence.

In mid-March, the situation is such that there have been several sentences changed in the treaty, and, from time to time, a section is added and then after two weeks struck out. The treaty has been discussed in both governments several times, and some objection always comes up that results in its being sent back to the other

government again. They have come to feel that Slovakia only wants to discuss those matters in which it has an immediate interest.

[MLADA FRONTA DNES] What primarily led the government to this step?

[Strasky] The debt that the newly created banks of issue owe each other or the compensation balance of the former SBCS [State Bank of Czechoslovakia]. You know that we are talking about no small amount here—roughly 24.7 billion [Kcs]. Another question Slovakia is constantly bringing up is that of several enterprises. I must say that the law that was modified in the last phase of the parliament in this way makes it possible for them to do so. But the negotiations lead nowhere because they are discussing enterprises we can in no possible way affect, whose problems cannot be solved by a change in the ownership relationship.

It is perhaps possible to find a solution through interstate arrangements and compensations, but it is just this that requires negotiations and the search for a compromise. Recently, the Government of the Czech Republic and the property commission of which I am a member arrived at the view, at least on the side of the Czechs, that Slovakia is losing interest in negotiating at all. This could be motivated by anything, but it means that, as time passes, the Czech side will have the last property transaction slip out of its hands. Later, it will not be possible to decree it.

[MLADA FRONTA DNES] That step has a lot of pitfalls, though....

[Strasky] Yes, the entire affair is very complicated from a legal standpoint, but, in any case, at this moment it was necessary to decide whether today the state property of the Czech Republic, worth about 16.5 billion [Kc, Czech koruna], will be distributed to the citizens of a foreign state.

And now we can correct that sentence to say that it is not right because the federation decided on the method of voucher privatization, and the issuing of shares results from the logic of the previous steps. We can refer to various laws, and standards less than laws, that stemmed from that, but we can never discuss away this fact that today we can see in the various ways we see it, but, over time, remains just this fact: 16.5 billion [Kc] worth of property was given to the citizens of a foreign state for nothing.

And this fact has yet another consequence, which is that the next generations have been burdened by this outflow of capital given away, as far as it concerns dividends and other claims of ownership. I do not want to be the arbiter here as to whether it should be given away. I only want to explain that it is the last important trump card regarding the property, if I were to put it in a totally undiplomatic way, which the Czech side has, because the remaining ones are really on the other side.

If Slovakia says it will not recognize the difference that comes from settling the bank accounts, it will probably be very hard for us to force them and hard to defend our position in front of any kind of international court institution. In any case, it will take a long time. Even though it does not mean upsetting the stability of banking, it is still not a small sum. If Slovakia continues to raise problems with the enterprises, such as the CSA [Czechoslovak Airlines], to name one, they will continuously upset the business world. And we know that the CSA today is a joint enterprise of the CSA and Air France that wants to develop further and not be constantly dealing with the past.

And now I want not to address any of these subjects. I want to talk about what it does not concern. I want to address the fact that the subjects are constantly repeated and tossed around and that we have no success because they all hang together. To negotiate, then, it is necessary to say that, in this step, one side must give way, and, in another, the other must back off. We cannot succeed in putting it on the table as a whole and reach an agreement on the problems.

[MLADA FRONTA DNES] The Slovaks are not at all willing to negotiate?

[Strasky] The Slovaks are willing when it is in their interest to deal with an isolated aspect—for example, the price of transporting gas over the territory of Slovakia—because they have an interest in making a clear profit in their hard-currency account. I understand their motives and respect them fully, but they are isolating it from the whole. Even though last week, before the final negotiations on the property commission, we reached an agreement on specific points of the program over the telephone, the Slovak part of the commission did not actually come to the meeting. Only minister Toth showed up and with only one point: the gas pipeline transportation through Slovakia.

* Symbolic Charge

93CH0509C Prague TELEGRAF in Czech 19 Mar 93
p 1

[Commentary by Jan T. Vavra: "On Holding Back"]

[Text] The Slovak shareholders who invested in Czech enterprises in the first round of voucher privatization will, according to Wednesday's (17 March) decision by the government, wait for their shares to be issued until such time as the property problems are resolved, especially until the accounts of the assets and liabilities of the former State Bank of Czechoslovakia are settled. We did not have to wait long for a response from the Slovak side. Prime Minister Meciar called the Czech Government's decision "an act of discrimination based on belonging to a nation and a state." When asked how the Slovaks will react, he answered that he had not yet consulted with his ministers.

The endless discussions about dividing up the property of the former federation and the constant changes in views and attitudes in this area forced the Czech Government to this coercive solution. When the Slovak representatives speak of nationalization, they are making a basic error. It is not a matter of withholding the shares, as such, but just a postponement in the schedule for their actual issuing, which has nothing in common with discrimination or even nationalization.

It is evident that this is not an ideal step. Nonetheless, it is the only one possible at the present time. One can predict that it is just this step that will become one of the most frequent arguments of both the opposition and the Slovaks in negotiations abroad. It will thus depend on the Czech prime minister and the individual ministers whether they successfully explain to the world that the voucher method is not the standard privatization method but that, in practice, it is a matter of "distributing" the state's property for a symbolic payment necessary just to support the entire operation.

In the overall context, it is necessary to see that this decision is different from the originally proposed alternative of concentrating all of the "problem" shares into a special fund, where the dividends would serve to cover the debts of the one state to the other.

* Slovak Crisis

93CH0509D Prague MLADA FRONTA DNES in Czech 20 Mar 93 p 6

[Article by Tomas Marek and Petr Simunek: "The Voucher Crisis Is a Crisis of the Slovak Treasury"]

[Text] The decision of the Czech Government to stop the issuing of shares to investors from the voucher privatization has caused great agitation. The citizens of the SR [Slovak Republic] had put far more vouchers into the Czech companies than vice versa, and the government's decision thus, for the time being, prevents the transfer to Slovakia of the rights to the property.

The first reaction, however, does not at all address the wider problem, of which vouchers are only a slice. It is necessary to look at the government's action from a distance and be aware of exactly what it means.

First, no one has said that the Slovaks will not get their property. The government has withheld the shares of the SR citizens as a kind of pledge for the considerable debts Slovakia has run up in relation to the CR. Obviously, this is not the happiest step, if for no other reason than the fact that the demagogues of the stripe of Vladimir Meciar will have no trouble exploiting it to their heart's content with pronouncements of the type "Czechs steal."

On the other hand, the government now has almost no more cards in its hand to play for "the division of the federation's property." It is constantly clearer that Slovakia has decided to negotiate only in those areas where it can gain something; it therefore brings up again and

again the problems of Transgas, Czechoslovak Airlines, navigation passage, and such. On the contrary, in talks about everything else, where the claims of the Czech side are obvious, it keeps its mouth shut. Stopping the issue of shares from the voucher privatization to the Slovak investors is truly perhaps the last desperate step of the government in trying to force the Slovak representation to deal seriously with not only its claims but also with its debts.

Let us just outline the situation of how the negotiating position of the Czech representatives probably looks. On 8 February, Bela Bosak, the Slovak Government's plenipotentiary for the division of property and deputy minister of finance, stated, "We do not doubt the readiness to pay off the deficit from the accounts of the central bank," and it appears that there has been success in resolving the largest item in the division of property. Since that time, however, there has been no progress in the negotiations. On the day the Czech Government announces that it is stopping the issuing of shares, the boss of the Bela Bosak quoted above and minister of finance of the SR, Julius Toth, even says, "If someone insists that we are the debtors, he must first prove it!". Both are talking about the same problem, the 24.7 billion korunas [Kc] from the accounts of the former central bank.

To put it simply, the imbalance in the accounts of the former State Bank of Czechoslovakia came about when the Slovak banks got credit from it for Kc24.7 billion more than Slovakia had in available resources. One could say that the voucher privatization concerns the citizens, but the balancing of accounts affects the banks of the governments. At first glance, it does look that way, but that is not exactly true.

Slovakia consequently also owes this amount to the citizens of the Czech Republic. If we take a very simple model, the situation looks like this. The commercial banks, in essence, draw out most of the resources for credits from money the citizens and companies deposit in various forms with the monetary institutions. Let us say that the citizens and enterprises of Slovakia deposited a given amount, X, and the citizens of the Czech Republic the amount Y. However, the Slovak banks have loaned out an amount of X plus 24.7 billion, and they have actually taken this amount from the Czech amount Y. When we skip over the fine points and details, they have thus taken this 24.7 billion from the deposits of the Czech savers and companies.

The citizens' deposits are, as a source of the money for credit, in about a 1 to 1 ratio to the deposits of the enterprises. If we thus put aside the half that came from the resources of the companies, the Slovak state "owes" the citizens of the CR Kc12.35 billion; using a figure of 10 million citizens, that works out to Kc1,235 for each Bohemian, Moravian, Silesian, or inhabitant of the CR of Slovak nationality, including infants. (Of course, no one is losing this amount of money from his deposit because this is just a theoretical relationship.)

This is not, of course, an argument that would justify any kind of decision on halting the issuing of shares to the Slovak investors. It is just a demonstration of the fact that these matters are more complicated than they may appear at first glance.

Taken realistically, Slovakia is not capable of paying off its obligations. Its economy is undergoing a severe crisis, and to take away from it such a large number of loans could lead to a catastrophe whose impact would affect the Czech Republic, as well. Nonetheless, the Slovak representation could at least show a certain effort at resolving this problem. It is questionable, however, whether the chilling step the government has taken will shake Bratislava out of its haughty attitude.

* Law Not Involved

93CH0509E Prague MLADA FRONTA DNES in Czech
22 Mar 93 p 6

[Article by cipher (ru): "International Law Does Not Concern the Vouchers"]

[Text] There is a substantial difference between voucher privatization and investment in the sense of international treaties. MLADA FRONTA DNES was told this by the legal adviser Oldrich Chodera in answer to our query whether the voucher shares can be considered full-fledged investments.

In international treaties, inputs of foreign capital into the economic sphere of a country are considered to be investments. They can take the form of monetary deposits, material equipment, or know-how. Shares from the voucher privatization that have not yet been issued are not such investments. It is rather a matter of dividing up the national property among the citizens.

In Chodera's opinion, the international treaties on the protection of investments can only relate to that portion of the property that is created after the transfer of the shares to the actual owners.

* CET 21 Preparing To Start Operations

93CH0510B Prague TELEGRAF in Czech 23 Mar 93
p 12

[Interview with Vladimir Zelezny, coauthor of CET 21 project, by Alexandra Zikesova; place and date not given: "Independent Television and the Others"]

[Text] The clock has begun to tick for the television corporation that came into being on the basis of a license granted to CET 21, with the first broadcast day of independent commercial television looming at the end of that time. We asked the coauthor of the CET 21 project, Vladimir Zelezny, the following questions:

[Zikesova] What are you doing at the moment?

[Zelezny] I am running all over Prague, and, from time to time, I meet myself running in the opposite direction.

To erect a new television station from nothing in 360 days, a station that would prevail in the competition with state or public television, borders on lunacy. After all, state and public television were created over virtually 30 years and consumed tens of billions of korunas. While one-half of me can try to see, say, which suitable buildings in Prague might have a microwave connection with the transmitter, the other half must sit somewhere in a coffeehouse with friends or supporters and listen to malicious reports regarding things being hatched somewhere against our project. And so we know that yet another campaign, this time a "corruption" campaign, is about to start. After all, the members of the commission had to be bribed to decide the way they did. Otherwise, no one would have been so stupid as to be truly independent. And so the other Zelezny has no choice but to consult lawyers instead of negotiating with program producers and to spend his time on things that are totally different from television. Every successful project is bound to attract attention to itself.

[Zikesova] Your project has many enemies—why is that?

[Zelezny] We have many friends as well as enemies. Actually, I would not even say that they are enemies; sometimes they are only people who have been spurned by defeat.

Defeat is always hard to take. They also include people who felt a powerful force behind their backs and were thus overly certain that they would win. But it is not dangerous. According to the law, there is no legal right to a license. This is the important condition of independence with respect to the decisions made by the Council for Radio and Television Broadcasting. The council decided six to zero in our favor, and then again even nine to zero. The decision is beyond doubt, and this is something our investors became convinced of. It was only after that that millions began flowing into the investment. What is so unpleasant with regard to the carefully synchronized campaigns is that they are distracting. And they are also boring and tend to mar the feeling of joy based on success, a feeling that is always a good motivator in such tense projects. I realize that an expression of the mammoth confidence in the political stability of our democracy is the fact that foreign investors stuck with this project—the fact that they anticipate the validity of our laws, that they consider us to be a stabilized state of law.

[Zikesova] What will you do if the members of the council are accused of permitting themselves to be bribed?

[Zelezny] Nothing! It is the job of the council to defend the honor of its members, and it is also the job of parliament to protect the reputation of an independent

organ that it established. If, however, our corporation or our investors were to appear in this connection, then we are talking about something else. We are prepared to respond to such accusations by legal means, extremely vigorously and without compromise. We never gave anyone even a penny. We would have been crazy to do so.

[Zikesova] What do your foreign partners say to this?

[Zelezny] A U.S. corporation is collaborating with us. U.S. law is overly sensitive to any indication of bribery. It is simply not done there. Incidentally, this is one of the great disadvantages of U.S. firms in entering Eastern markets. A corporation that even tries something like that is virtually written off in the United States. And any kind of television in Prague is really not worthwhile at that price. And so, our investors have prepared a very momentous response to any possible accusations in the press. Besides, we shall insist that such accusations be dealt with by the Office of the State Prosecutor, that an evidential hearing be held, and that those who are attempting to make such accusations bear all of the consequences if they cannot document their contentions. The time when it was possible to write everything in the newspapers without proof, to just spit out a calumny, has already hopefully passed. This could be a piece of cake for our lawyers, and I must say that our foreign partners are well equipped in this regard.

[Zikesova] How are you preparing for your broadcast?

[Zelezny] Much money has already been invested, and we must proceed rapidly. Each day costs additional millions, particularly for the purchase of technology. There is no other way. Every day of ours is a lunatic asylum. For the time being, we continue to be in some kind of "hardware" phase. We are interested in wires, buildings, and everything connected with them. The new "software" phase will begin soon. We will begin looking for talented, industrious people as well as reliable providers of programs....

[Zikesova] What will your television actually be like?

[Zelezny] We want to be another kind of television, happy television that imparts a feeling of happiness and relief to our viewers. We are definitely not attracted to the rigid model of German television, which is customary here. We also want to be the kind of television that is present whenever and wherever and that can provide the most speedy information directly from the location of the action. And we want to be television that can be believed. The composition of the program will depend on the viewers, as well. As commercially oriented television, we will not be able to afford to broadcast programs in which there is no interest.

[Zikesova] Do you already know what you will be called?

[Zelezny] Actually, that is a job for our future viewers. It will be the first opportunity to ask them for cooperation. "Central European Television for the 21st Century" is a good title for a license holder, but the name of the station must be sharper and less cryptic than CET 21. We are declaring a public competition among viewers for the best title for our station. It must be short, perhaps even in the image of an abbreviation, but we are not excluding even personal names—say, Beda. Whatever anyone

thinks of. The more suggestions we get, the happier we will be. A reward for the winner can be \$1,000 and, of course, an invitation to the festive inauguration of our broadcasting activities.

Sometime at the beginning of next year, the author of the title of the station will be able to press a button, along with us, to initiate the first independent commercial television broadcast.

*** Parliamentary Interpellations Obstructed**

93CH0527B Budapest HETI VILAGGAZDASAG in Hungarian 27 Mar 93 pp 68-69

[Article by Deputy Zoltan Kiraly (Independent): "Freedom Switched Off"]

[Text] During the customary question period in parliament one Tuesday afternoon in March, the microphone of a Smallholder deputy was switched off while he was stating his question. The loudspeakers fell silent, and the deputy just stood there gaping. His sentence and train of thought remained unfinished. But that caused no problem for either the presiding deputy speaker or the answering state secretary. According to a prearranged scenario, the presiding deputy speaker said: "Thank you very much. I now call on ... to answer the question." On this cue, the state secretary rose to speak.

What happened is both peculiar and astonishing. Its peculiarity lies partly in that, on this occasion, the deputy speaker who always takes the chair during question periods did something he has never done before. He interrupted five times the deputy who had the floor, urging him to finish stating his question. (Of course, one might wonder whether the presiding deputy speaker has learned his role so well during the past three years that henceforth he will act with similar consistency in every case; or was he inspired to intervene simply by the fact that the deputy stating his question belongs to one Smallholders Party, whereas our presiding deputy speaker belongs to another, a third or whichever Smallholders Party?)

This incident is peculiar also because the people sitting in the National Assembly, as well as those outside the National Assembly who watch the proceedings on television, have long felt that the opposition deputies are usually the ones to be reminded of the passage of time—although by no means as often as on this occasion—by the deputy speaker who always presides during question periods. (The question periods, incidentally, deserve a better deal.) It is not his fault, of course, that mostly opposition deputies are the ones who put questions to the government, because of their very position. Nor can he help the fact that the Smallholders Party and/or parliamentary faction to which he belongs is the one that serves the government the most loyally. Likewise peculiar is that our presiding deputy speaker is not so aware of the passage of time when high-ranking government officials take the microphone to answer questions at length, almost always exceeding their allotted time. This is particularly true when the highest-ranking government official answers questions. Like not so long ago, when our presiding deputy speaker was listening to the prime minister's 11-minute answer with abated breath, so that he had no breath left to say: "The Honorable Gentleman has far exceeded his allotted time." (He could have attempted to do so at least once,

say, at midpoint of the prime minister's answer, the midpoint usually being about the average length of a minister's answer.)

The way the Smallholder deputy was prevented from stating his question to its end, by having his microphone switched off, also provides food for thought about how some of today's political leaders, filled with a sense of vocation, interpret the concept of democracy. For I have not encountered anything similar in Hungary's parliament even under the party-state, from 1985 to 1990. At that time it did cause some alarm when a deputy wished to speak on his own initiative, rather than sign up for permission to speak weeks in advance. But it was never done, then or later, and not even to me, that one's speech or the stating of one's question was interrupted in such a crude manner.

We wonder from whom could this "democratic" idea have originated? From the technician? Unlikely. From the head of technical services, the parliament's secretary general, or the speaker himself? Hard to tell. The only thing certain is the final result: The deputy was prevented from stating his question to its end. He was silenced. I only hope that those who curbed the freedom of speech in parliament so nonchalantly will not reach the point where one day they will "switch off" democracy itself.

(The author is an independent deputy of the National Assembly—Editor.)

*** Ex-Policemen: Boross Planned Anti-Goncz Protest**

93CH0527A Budapest KURIR in Hungarian 27 Mar 93 p 5

[Article including notarized statement made by former police officers Gyula Illes, Ferenc Labanc, Mihaly Galbacs, and Laszlo Nagy, in Budapest on 22 March 1993: "Subversive Cops"]

[Text] The text presented below is a reprint of a notarized official document. (A Xerox copy of the original document is in the possession of our editorial office.) We marked with rows of dots the parts of one or two sentences that were illegible on the Xerox copy. In a memorial based on this document and submitted to parliament, Jozsef Torgyan, the chairman of the Independent Smallholders Party, makes accusations against Interior Minister Peter Boross, National Police Commissioner Sandor Pinter, Budapest Police Commissioner Janos Bodracska, and Police Colonel Janos Balogh. The four police officers who testified before the notary public—or rather the four former police officers recently dismissed from the force because of certain abuses (the Illes affair)—claim that, on instructions from Peter Boross, they were supposed to set up a unit to be known under its code name as "the Cattani commando." The unit's assignment was to plant arms or drugs in Torgyan's car, and subsequently to find the planted incriminating evidence, thereby blending a whiff of criminality

into the Torgyan problem. Further on the document provides information about the confused plans of the police for "The Day of Anger," and it also alleges that the police provided security for the skinheads' protest march to Kossuth Square on 23 October. Boross and his associates deny the accusations, labeling them as completely ridiculous. Torgyan has been reading too many detective stories, they say.

Without subscribing to even one iota of Jozsef Torgyan's political views, we believe that the document deserves to be published. We know that, in parliament, Torgyan is a colorful, amusing, occasionally comical, and ridiculous figure. As a deputy and as a private individual, however, he too is entitled to the same rights as every Hungarian citizen. The police on their part are duty-bound to be above reproach and impartial. Let the law judge the testimony of the policemen and of their former colleagues, because in this case we cannot adopt a standpoint. (We suspect that Illes and his associates are offended because of their dismissal.) But it is worrying that politics in Hungary has become criminalized to some extent.

(The meaning-distorting errors occur also in the original and have been reprinted verbatim from there.)

Notarized Document

I, Dr. Istvan Balazs, a Budapest notary public, hereby certify that the following individuals appeared before me in my office as clients, in the locality and on the day and date specified hereunder:

Gyula Illes, who resides at 18 Tel Street, Szigetszentmiklos, and who identified himself with his certificate of identity No. FS-II 619423; Ferenc Labanc, who resides at 7 Akac Lane, 5th Floor, Apt 10, Budapest, 3d District, and who identified himself with his certificate of identity No. AU-VII 275018; Mihaly Galbacs, who resides at 20 Bem Street in Dunakeszi and who identified himself with his certificate of identity No. FS-II 380572; and Laszlo Nagy, who resides at 24 Borondos Street, 4th Floor, Apt 6, Budapest, 4th District, and who identified himself with his certificate of identity No. AU-VI 517700.

All the aforementioned clients appearing before me are former police officers who were dismissed from the police force through show proceedings, and who feel it is their duty to testify to the fact that, within the police apparatus, certain practices prevail that are in conflict with the statutory regulations now in force.

In their opinion, they had been used to perform unconstitutional acts, and the uncovering of those acts was the reason why they had to leave the force. Wishing to fulfill their duty as citizens, they have requested me to take down and notarize their following statement:

I, Gyula Illes, appearing before the notary public, state that, in August 1991, Interior Minister Dr. Peter Boross

had summoned to his office Dr. Sandor Pinter, the former [national] police commissioner, and Dr. Janos Bodraczka, acting deputy police commissioner [of Budapest]. After that meeting Janos Bodraczka asked me to select two detectives who were experienced operatives, for an assignment he wanted to give them, in accordance with the instructions he had received from the interior minister. He [Bodraczka] mentioned that the National Security Office had been incompetent, and that is why he was assigning to the police the task of organizing and carrying out a plan to discredit politically Dr. Jozsef Torgyan, the party chairman. The plan outlined to me was to carry out the assignment through the party chairman's driver, a certain Szollosi. As deputy section chief with the rank of major at the time, I was in charge of a secret special unit. The press kept referring to it as the Cattani commando. From among the personnel of that unit I selected, at Janos Bodraczka's request, Ferenc Labanc, a former second lieutenant who is appearing here with me, and also Zoltan Farkas, a junior lieutenant who is still in the force. They received directly from Dr. Janos Bodraczka their instructions regarding the essentials of their assignment, and they also kept a file on it, in accordance with the procedures for handling secret documents.

I, Ferenc Labanc, state that, in mid-August of 1991, Dr. Janos Bodraczka summoned me and my detective partner, Zoltan Farkas, for a private meeting, in the course of which he gave us the following assignment. Knowing very well that I had good contacts with the underworld in the 8th District of Budapest, he asked me to plant informers on a certain Jozsef Szollosi who was registered as a permanent resident in the 8th District. In other words, to draw Szollosi into the sphere of common crime, and to arrange matters so that he would be liable to prosecution under some section of the Criminal Code. He [Bodraczka] left it up to me how to organize this, but he said that the important thing was to put Szollosi in a situation where he would be completely under our control so that through him we could cause Jozsef Torgyan's downfall, either politically or by incriminating also Torgyan with false evidence of a common crime. Bodraczka even suggested ways of accomplishing this. For example, by planting a gun or drugs in Torgyan's official car with Szollosi's help, and then finding the incriminating evidence in the course of a spectacular police search. He pledged us to complete secrecy, withholding information even from our commander, Gyula Illes.

He [Bodraczka] also said he realized that what he was asking us to do was a serious crime. Therefore he wanted to reassure us that the highest levels of government knew about the assignment, and it was being carried out on their orders. All expenses would be reimbursed by the police, and we would submit vouchers for the expenses in the usual manner. After this meeting and the necessary paperwork, we began our activity as operatives. The first thing was a thorough investigation of Jozsef Szollosi's background. In the course of this investigation we established a connection to an open file at the 8th

District Police Station. In that file we found a way to lure Szollosi to the police station, at the same time as one of the best informers working for BRFK [Budapest Police Headquarters]. Later on, I will be able to give that informer's name and code name. Contact between Szollosi and the informer was established in September. From there on, Szollosi was under constant and complete surveillance, through informers.

The plan to provoke Szollosi into committing a crime was ready by October but was never carried out, because our activity was terminated, suddenly and with immediate effect.

Furthermore I wish to say that, in the course of processing Szollosi, we found positive proof of his working also for military counterintelligence. He made no attempt to conceal that fact from our informer.

The positive proof of Szollosi's contact with military [counter]intelligence was a special camera for taking photographs at night. At the 8th District Police Station, he showed that camera to our informer, and even to a district detective who had been initiated into the plot. Written reports on the work performed were prepared by me and an initiated typist. Therefore I am familiar with the file's entire original contents. In addition to me, also Gyula Illes was familiar with the file and initialed the reports in it.

I, Gyula Illes, wish to add to the preceding that, on 15 March 1992, detectives were instructed to damage a loudspeaker-equipped motor vehicle in front of the National Museum, to prevent any disruption of the rally.

That, among other things, was the basis for instructing detectives to be ready to damage, on command, the loudspeaker van of the Smallholders Party on 25 April 1992, the so-called "Day of Anger" organized by the party. Execution of the order (Text illegible—Editor).

To my knowledge, National Police Commissioner Sandor Pinter and Interior Minister Peter Boross were informed of this assignment.

Another fact associated with "The Day of Anger" was that, in the course of planning security, it was necessary to take into consideration information provided by the national police commissioner. He had been advised by the National Security Agency of a provocation organized by the party's leadership—namely, to have somebody fire birdshot into the crowd of marchers, from a tenement building along the route of the march. The security plan made no mention of a possible provocation, but it did provide for stationing detectives in every building along the route. Also in connection with "The Day of Anger," the Budapest police commissioner assigned two detectives to gather confidential information about the event the party was organizing, and to summarize that information in an unsigned report entitled *Press Information*, one copy of which had to be submitted to the

interior minister, through the national police commissioner. There is a voucher to prove that such secret information was gathered.

I also know that later, in June 1992, when a plan to attack the headquarters of the Smallholders Party had surfaced and had subsequently been brought up in the National Assembly, Police Colonel Dr. Janos Balogh, the deputy police commissioner [of Budapest], told me in confidence that he feared the personnel of the 5th District Police Station would reveal in the course of a possible investigation that, on the eve of the attack, he had instructed the district police station not to send police patrols to the vicinity of the party's headquarters. He also mentioned that the police vehicle seen near the party's headquarters on that occasion belonged to the GOB [expansion not given] unit of BRFK. The unit also had received instructions from him the night before. He did not say so outright, but merely hinted that he had taken these steps on the basis of direct orders from the interior minister.

I, Mihaly Galbacs, state that, at a special briefing before "The Day of Anger," Dr. Janos Bodracska instructed myself, Laszlo Nagy, and eight other detectives who were present, to destroy the technical equipment in the loudspeaker van of the Smallholders Party, should Mr. Romhanyi want to use the van. We were told not to carry warrant cards or other identification papers on this assignment, and to disappear immediately when it had been carried out. In case we were discovered and thus placed in jeopardy, there was a plan to have police colleagues take us into custody and rescue us from the scene.

In the end the assignment was not carried out, because the loudspeaker was not used.

I, Laszlo Nagy, fully confirm everything Mihaly Galbacs has just said, and wish to add that I was not present at the briefing, but learned about the assignment from Mihaly Galbacs and my other colleagues.

I, Gyula Illes, wish to add—in conjunction with the 23 October protest staged by skinheads against the President of the Republic on Lajos Kossuth Square—that Janos Bodracska told me in confidence the following: Before security was arranged, he had received instructions from the interior minister, through the national police commissioner, to assign detectives to provide security for the skinheads to assemble. Which means that he [the interior minister] must have known about the planned protest in advance. And he also gave instructions for the police not to intervene in the events on Lajos Kossuth Square.

The detectives assigned to providing security are able to testify that the entire route from the skinheads' point of assembly to Lajos Kossuth Square had to be secured. Which means that the route, too, had been known in advance.

The clients appearing before me declare in complete agreement their readiness to present positive proof, provided they are released from their obligation to maintain official secrecy.

I, the undersigned notary public, have prepared this document for the clients appearing before me, with the understanding that they have agreed to let Party Chairman Dr. Jozsef Torgyan make use of this document, because it would be a crime to suppress evidence of a person's innocence, and also because they wish to aid the enforcement of constitutionality. Having declared this document to be fully in accord with their wishes, the clients have signed it in my presence.

In Budapest, this 22d day of March, 1993

Dr. Istvan Balazs, notary public

Gyula Illes

Ferenc Labanc

Mihaly Galbacs

Laszlo Nagy

I hereby certify that this is a true and exact copy, prepared for the clients, of the original document in my safekeeping.

In Budapest, this 22d day of March, 1993

Dr. Istvan Balazs, notary public

* Survey of Political Youth Organizations

93CH0514A Budapest MAGYAR NARANCS in Hungarian 11 Mar 93 p 10

[Article by Laszlo Seres: "Survey: Youth Groups"]

[Text] We see 50- to 60-year-old men talking politics under the banner of one or another party everywhere in Hungary. This picture is false, however, because the parties' youth organizations also press their cases around the various parties, although they do not create much disturbance in the still waters of the older gentlemen.

Let's take, for example, the largest ruling party. It is called the MDF [Hungarian Democratic Forum]. To avoid a situation in which Kalman Keri represents quite a few generations that succeed him, about 100 young people organized a **Youth Democratic Forum (IDF)** while camping along the Tisza River in the summer of 1989. The purpose of the IDF is to involve youth from the countryside in the workings of democracy. The IDF has 3,800 members by now; they are blessed with close to 100 local organizations and 2.6 million forints received from the state last year. They did not receive a single cent from their parent party, according to board member Peter Skribek in an interview, and similar statements were also made by people close to the rest of the youth groups. The parties like these youth groups; they encourage them to become a fresh, new voice, and to

take up new action programs, but they do not provide money. Instead, the parties tell the youth groups to seek funds from the state budget. Thus only the infrastructure remains: Most youth organizations, particularly in the countryside, hang out at party headquarters, enjoying sort of a political refugee status. Composed mainly of high school students and young skilled workers, the IDF organizes summer camps for nature buffs, and contests in the memory of deceased Hungarian men (Lajos Kosuth, Denes Csengey). As part of their action program IDF members also claim that for the first time in their lives, they will run a separate candidate in the Kunszt-miklos elections to be held in late March, even though their candidate is going to run as an independent. A real "fathers and sons" case could evolve from this, because the MDF is also running a candidate in that district.

IDF—(rightfully) dissatisfied with MISZOT [expansion unknown] for its party state flavor—together with several other youth organizations that could be regarded as conservative, established the **National Youth Council (NIT)** last November; it serves as a certain roundtable for young knights who think in terms of the nation and Christianity. Within NIT we find two associations which compete for the good graces of the KDNP [Christian Democratic People's Party], and one of them is successful in doing so.

Loose bumpitiousness is not characteristic of the **Youth Christian Democratic Union (IKU)**: In addition to a chairman, it also has a "foreign affairs vice chairman," and even a "domestic affairs vice chairman" and "financial controllers," as well as 1,100 members and a budget of 1.6 million forints. This organization is close to the party, but is not its official youth organization, according to public affairs vice chairman Gusztav Kecske. Gusztav underscores the social welfare and charitable program of the IKU, and he also would like to see a Christian socialist movement. Nevertheless, like the KDNP, he regards his organization as a centrist group. Are they dissatisfied with Surjan's people? They do not criticize things from the outside; instead they use internal channels to advance their proposals. For example, they urged the KDNP to "make an economic initiative," and it was the IKU that initiated the KDNP campaign to support Hungarian products. Kecske regards the "abundance of values" and the "lack of roots" as the No. 1 problem, and therefore the IKU is trying to convey to youth a civil system of values. At this moment the civil system of values is worth 6 million forints to the IKU—this is the amount it claimed from the budget in the form of "operating expenses."

The three-year-old **Christian Democratic Youth Association (KDFSZ)** is headquartered under more modest circumstances in an apartment of a Buda housing development; it wants to reach youth "to whom democracy means not only drugs, pornography, prostitution, and the free spread of cultural filth," and "who realize that this country is not going to be saved by foreign capital, but by us, who claim this country to be our own," according to their pamphlet. KDFSZ's 1,500-2,000

members participated in professional debate concerning the law on youth and education; their foundation called CD-2000 provides assistance to young people at the start of their careers through a clearly informative brochure. Gabor Szepesfalvy stressed the importance of representing the interests of youth, as well as the fact that their differences with the IKU were of a personal, not a political, nature. Finances? In 1992 they received 500,000 forints of state funds, which is less than the more than 2 million forints they received the year before. The KDNP made no contributions either before or now, "so that we can claim to be independent." Even though Gabor quietly noted that Dr. Surjan had also functioned as a simple KDFSZ expert during the election campaign.

Smallholders and youth? What else could come to mind than the skinheads, the national youth of Eger, Roy and his associates? The fact is that last fall the 2,000-2,500 member **Independent Hungarian Youth (FMI)** (re-)organized itself, and it does not want to be an assembly of skins, according to chairman, clergyman, FKGP [Independent Smallholders Party] National Assembly Representative Jozsef Istvan, responding to my question. The FMI program: God, Country, Family. What else? Practical things. "Farmer and farmer's wife training programs," "summer farmer training practice in Austria," and camps, sports competitions, of course. They do not engage in military training, "we don't want to play the soldier game." They have not yet received state funds, but the party provided them 2 million forints in support funds, and permitted the FMI organizations to enter the party organizations everywhere, Mr. Istvan says. "We do not accept extremist elements," the chairman stressed; he regards the skin phenomenon as a fad. Nevertheless, just to make sure, they included a provision in Article 14 of their bylaws: "Based on the founders' intent, the right to association must not be exercised in a way that it constitutes a criminal act or calls for the commission of a crime, and the exercise of this right must not violate the rights and liberties of others." One could only hope that members of the FMI have read the bylaws to this point.

"Action, not words!" is the watchword of the **Left-Wing Youth Association (BIT)**, which is not too far from the MSZP [Hungarian Socialist Party] either physically at Koztarsasag Square, or from the standpoint of its politics. BIT also cooperates with the SZDSZ [Alliance of Free Democrats] and FIDESZ [Federation of Young Democrats] in Budapest regarding educational issues; it is present in the vicinity of the social democrat newspaper CSAKAZERTIS [Despite], and it supports the former KISZ [Communist Youth Organization] housing demands. According to BIT Chairman, MSZP Representative, and former MSZMP [Hungarian Socialist Workers Party] Central Committee member Peter Kiss, BIT was formed in 1989, has 14,000 registered members at present, has been organized "from the outset" based on the social democratic value system, and continues to proclaim "left-wing sentiments in the Western sense" today. BIT is not a training school for MSZP cadres; the

party has an excessive power reflex anyway, Kiss responds to my question. Where does the money come from? From various foundations, from sponsoring functions (and, according to malicious people, BIT also has an ocean of limited-liability corporations), i.e., they also have "revenues of the entrepreneurial service delivery type." To avoid destitution, the state budget contributed a solid 100,000 forints to the existence of BIT.

Even the 500-member **Young Socialists** received more than that (300,000 forints)—a grass-roots organization that spontaneously sprouted three years ago, and like BIT, did not want to be too far from the MSZP. Within the MSZP, however, several people disapprove of the fact that the Young Socialists also espouse an alternative value system: ecology, beyond the new type of non-étatist social democracy, and of the fact that more than once they have demonstrated jointly with anarchists e.g., against nationalism. The suspicions harbored by the MSZP only increased, when the Young Socialists successfully organized an alternative camp last summer in Jaszbereny, which created the Alternative Net. Andras Schiffer's biggest trouble with the MSZP is that the party has not shed its power-based attitudes, and that it includes too many of the "former people." Like the KDFSZ and BIT, the Young Socialists regard the interest representation of youth at the start of their career or unemployed youth as their labor of love, and so they appeared at a few skilled worker training centers to make presentations concerning the employment law, and to train people how to present themselves to prospective employers.

Finally, let's take a look at our liberal youth. Paralleling the FIDESZ age-limit dispute, the **Association of High School Students (KOSZ)** was established last year. Not much is known of this organization. The 1,500-member **IDE-SZDSZ Youth Organization** was established in 1990; many SZDSZ members heard of this organization for the first time at last year's meeting of delegates that elected the party chairman, according to managing director Eszter Nacs. Eszter believes that the SZDSZ has lost some of its radicalism, and that it stands on shifting grounds. IDE has money: They received 1 million forints in state funds, and another 2-2.5 million forints from the party coffers. IDE also transcends its party's basic value system; its most active group happens to be the "IDE Anarcho-Green Circle," which simultaneously advocates the dismantling of the power structure and a greater state role in environmental protection. IDE was first to demonstrate against the South-Slav war (in the summer of 1991), Eszter Nacs says, and they are on best terms with the Young Socialists, the anarchists, and the Alternative Net. Their relationship with FIDESZ has deteriorated somewhat.

Despite the minor competition for money—and, as an aside, for youth—the youth groups do not try to kill each other. They prefer to play competitive soccer games to win the VfL ("Young Politicians' Cup"). Just as last

year, this year, too, everyone plays with everyone, moreover at the Budapest Spartacus field on Saturday, 13 March, at 10:00.

*** Conditions in Criminal Justice System**

93CH0515A Budapest MAGYAR NARANCS in Hungarian 4 Mar 93 pp 4-5

[Interview with Dr. Tibor Bogdan, Ministry of Justice administrative state secretary, by Janos Todor; place and date not given: "Many Prisoners, Few Prison Guards"]

[Text] *As they used to say, each of us has his own brick in prison [teglaja a bortonben]. Close to 16,000 people are currently imprisoned in Hungary, and of these 4,000 are under preliminary detention. We conversed with Dr. Tibor Bogdan, Justice Ministry administrative state secretary; he is in charge of supervising the ministry's penal enforcement program.*

[Todor] Insofar as I know, an awful lot of people who entered the penal enforcement field in the days of the party state are still holding on to their positions. Even Dr. Ferenc Tari, the national commander, was appointed prior to 1989. Has there been a system change at all in your division?

[Bogdan] Penal enforcement is an isolated, peculiar profession. Personnel changes that have already taken place occurred during an extended period of time. From a practical standpoint, all those holding key positions—except, perhaps, for the supply service manager—have climbed up the professional career ladder, or began their careers in penal institutions. Mr. Tari started his career at Sopronkohida, while his deputy, Colonel Estok, came from Satoraljaujhely. None of the top superior officers at the national command could be regarded as parachutists. Ferenc Tari himself was appointed after the new government took office; prior to that he was only an acting commander. We filled the division director positions at the national command on the basis of competitive examinations, and all the persons appointed served as lower level officers before. It is yet another matter that penal enforcement constitutes a rather closed world; seldom do outsiders enter this world, and this is especially true regarding high positions.

[Todor] The amnesty declared in 1989 divided not only public opinion, but also the penal enforcement personnel. In those days several so-called extraordinary events took place. One of these was the prison disturbance at Miskolc. It appeared that the prison issue was in a deep crisis.

[Bogdan] I would not call the Miskolc events a prison insurrection, and not even a prison disturbance. The disobedience manifested by the convicts manifested itself "only" in a simple barricading of cells. Compared to the experience in neighboring countries, we managed to go through this period in relative calm. Just think of the fact that in those days real prison insurrections resulting in deaths broke out in neighboring Eastern bloc

countries, twice at Lipotvar in Slovakia, which has a prison like the Csillag Prison of Szeged. One occurred during the Hungarian elections; they fired a volley of shots to stop convicts who were prepared to break out. In the other instance several prisoners got away with weapons in their hands. Five prison guards were also killed in a brutal manner: Their heads were cut off. Large demonstrations were held in Czechoslovakia protesting the amnesty. Undoubtedly, a feeling of uncertainty exists among the staff, but this feeling is linked not so much to the system change, but to the fact that some people have difficulty in digesting the shock created by the sudden humanizing of prison conditions. This matter is still the subject of great debate. In any event, humanizing prisons must not go to the other extreme either, where prison guards fraternize with prisoners.

[Todor] In other words, does this mean that you have given up for good the previous lofty principle of behavioral attitude modification, and even more so, with the idea of revamping one's behavior?

[Bogdan] The one who does that is something else! His job remains the same, to deal with the convict's soul, with his troubles. Just as a child cannot be brought up by direct means, the convict's behavior cannot be changed either as a result of direct intervention. The entire process must be reassessed; a change in outlook is needed. Providing a behavioral background to a convict cannot have as its purpose changing the entire behavior of the convict. Nevertheless, prisons do have a function to use indirect means, such as providing education and work, as a result of which the convict receives something extra that he can use outside of prison, once he is free. The other major function of the behavioralist is to provide practical preparation for the convict's release, for his integration with society.

[Todor] The situation is worse than ever insofar as prison work opportunities are concerned, because unemployment is extremely high even on the outside. The employment (work) opportunities for convicts are limited now to a catastrophic extent. Enterprises do not need this kind of worker.

[Bogdan] This is unfortunately true. There is no demand whatsoever for working on the outside, but work opportunities within penal institutions have also deteriorated. Our present plans call for forming a nonprofit employment organization out of 12 penal enterprises, and this definitely will require capital. But this will enable substantially more flexible management. It will also perform a certain equalizing function, because what is needed in this field is to use the profits produced at one place to fill a gaping hole at another place. This occurs because the employment of convicts can only be viewed as a unified whole, and its purpose is not to make, say, the Alföld Furniture Factory of Szeged profitable. Instead, the purpose is to employ as many convicts as possible at the least cost.

[Todor] But what happens after their release? Not only workplaces, but worker's lodging places are also being discontinued one after another. Previously, the basic condition for the conditional release of a convict was that he have a workplace and a registered residence. Obviously, this expectation no longer makes sense today.

[Bogdan] Unfortunately, this condition can no longer be managed appropriately by the ministry, because the possibilities available in the framework of penal enforcement end at the prison gate. But I must also tell you that the indexes were not more favorable even under the earlier, relatively better circumstances. You must consider the fact that from the outset, 60-70 percent of the convicts in Hungary are repeat offenders. The social integration of a person who relapses for the fifth or sixth time to commit crimes is hardly prevented by external circumstances. Of greatest concern is the fact that the number of multiple repeat offenders is extremely high among minors, the group with which something could be done, one would think. For this reason we are concentrating all our strength on this group, to save from among them the ones who can be saved.

[Todor] When minors are involved, the place must be Tokol, which we learned from the prison documentary movie "The Failed Ones." Considering what you just said, a layman could think that the best and most decent professionals would be assigned to deal with the minors. Last fall, however, the press was overflowing with reports about the corrupt affairs and disgraceful downfall of the Tokol commander, Colonel Dr. Ferenc Voros. Criminal proceedings had already been initiated against Dr. Voros in 1990, and the minister suspended him from his post. He was charged with negligence, and was saved as a result of the amnesty. At that time he was the commander of the prison at Vac. What kind of personnel policies does your office have if a person who commits a crime is allowed to serve as a prison commander?

[Bogdan] If you put down in your article what you just said in the form of a statement, you must count on Dr. Voros immediately filing a slander suit against you. In those days we were the ones who filed a complaint based on reasonable grounds to believe that he had misappropriated funds. The charge was reduced to negligence in the first round. This, then, was "removed" by the amnesty. At that point he complained about the proceedings, and received a paper which stated that he had not committed a crime.

[Todor] Even if we accept this version, it is rather odd that you find him to be suited to serve as commander at Tokol.

[Bogdan] I can only speak for the minister and for myself in this regard. On the one hand, we were not directly and closely familiar with the commanding staff. On the other hand, I cannot say that dozens of people well suited to become prison commanders stand in line waiting for one or another job opening. We are not doing too well. The information we had about Voros's professional and

leadership qualities were favorable. He was a colonel at the time. It is easy to use hindsight and say that he should not have been appointed to Tokol.

[Todor] Is it true that former Colonel Dr. Ferenc Voros allegedly used methods of extortion against the national commander of penal enforcement, saying that he would reveal things unless he was rescued?

[Bogdan] Two things contradict this statement: Voros was dismissed, while Mr. Tari is still in his place. And yet, the former commander of Tokol revealed nothing.

[Todor] What was the exact reason for his dismissal?

[Bogdan] He committed a series of irregularities relative to the Zemplenyi case; the magnitude of these irregularities amply sufficed to disregard the previous case, and to impose the most stringent disciplinary punishment. In any event, simultaneously with the disciplinary action we also filed a criminal complaint against him based on substantial grounds to believe that he had committed a crime; the related investigation has not been closed to this date. The dismissal and the lowering of his rank actually correspond with disciplinary action taken at workplaces.

[Todor] Has National Commander Dr. Ferenc Tari also been condemned because of the penal enforcement implications of the Zemplenyi case?

[Bogdan] We examined the case, of course, but not in the framework of a disciplinary proceeding. We found no circumstance that could have served as a foundation for establishing his disciplinary responsibility.

[Todor] Have you had disciplinary problems with commanders of other institutions?

[Bogdan] It is very difficult to provide a summary answer to this question. As everywhere else, disciplinary proceedings also exist here, of course. Nevertheless, they do not occur too often. The national commander takes action in the first instance. As of recently, we had referred to us only two disciplinary cases involving institutional commanders.

[Todor] Do you still have the organizational structure in which the commander also serves as the director of the prison enterprise?

[Bogdan] Yes, for now, but we would like to separate the two functions this year.

[Todor] Penal enforcement has staffing problems; fluctuation is great not only among the convicts. Along with the present, maximum workload, humanizing prisons can only remain an illusion, at best.

[Bogdan] The number of guards per 100 convicts is terribly low; in this regard we are among the worst European countries. At the same time, the large number of persons held in preliminary detention raises concern; it amounts to about one-third the number of convicts.

All this suggests that we have to count on a continuously increasing number of convicts.

[Todor] Couldn't we expect a reversal of this ratio, when the Hungarian Criminal Code of Laws establishes monetary fines as the dominant punishment, instead of (or along with) loss of freedom, like criminal laws in Western countries do?

[Bogdan] In viewing the composition of the convict population one readily finds that there is no "solvent demand" for monetary fines, and therefore this kind of punishment cannot be introduced in Hungary in the near future.

[Todor] Are you planning to construct new penal institutions?

[Bogdan] We are not planning to build prisons in the strict sense of that term, for budgetary reasons, but we are dealing with the transfer of certain real properties, with expanding local facilities.

[Todor] The rise of organized crime caused a peculiar criminal stratum to rise. We have known from before that money buys anything, even in a prison—positions just as conditional release.

[Bogdan] These are the so-called wealthy convicts who relate in one way or another to organized crime, and who are able to change the internal conditions by expending money, once they are in prison. A new kind of hierarchy is beginning to evolve whose organizing principle is money instead of violence. The other side of this phenomenon is the bribing of prison staff, which could cause severe damage to the unjustified, already low prestige of penal enforcement, unless we put an end to it.

[Box, p 4]

Prisoners in Hungary

As of 31 December 1992 Hungary had a total of 15,913 prisoners, 1,103 more than a year before. Of these, 4,272 were under preliminary detention (3,359 facing a judgment in the first instance; 913 whose conviction has not been affirmed), 11,424 were convicted and sentenced, 143 were under forced medical treatment, 74 were locked up based on a referral [elzarasra beutalt], and 104 were sentenced to perform correctional-educational work (allowed to be interrupted) [felbeszakitasra bocsatva].

Distribution by severity of incarceration

Adults	
Penitentiary	4,100
Prison	6,385
Jail	286
Minors	
Prison	304
Jail	197

Distribution by gender

Men	10,882
Women	542

Distribution based on prior criminal background

First-time offender	3,374	29%
Repeat offender	3,215	28%
Multiple repeat offender	4,835	43%

*** First Year of EC Trade Relations Assessed**

93CH0536A Budapest FIGYELO in Hungarian
25 Mar 93 pp 1, 13-15

[Summary of roundtable discussion with various government officials and businessmen: "First Year Balance: The EC Is Not a Charitable Institution"]

[Text] The agenda for the 4-5 February Hungarian-EC Joint Committee meeting included an item calling for a discussion of accelerating Hungary's access to export markets beyond the provisions contained in the agreement. In the course of these discussions the Hungarian party proposed that a fully duty-free status be granted for certain sensitive exported products for which customs duties are being assessed based on quotas, or that these products be reclassified as commodities with maximum levels of customs duties but with higher values; that the dismantling of customs duties on textile products, the pace by which tariff ceilings and customs duties over and above the value of customs-quotas are dismantled, and the schedule for dismantling customs duties on products subject to the ESZAK [expansion unknown] agreement be accelerated; and finally, that new concessions be granted regarding Hungarian agricultural and food industry products. To offset these proposed measures the Hungarian party offered a list of industrial products which presently appear on the commodity list for which customs duties were to be abolished at a normal, or "slowed down" rate, and which the Hungarian party proposed to include in the accelerated list.

The EC received the Hungarian proposals with reservations, primarily on grounds of the recession. Therefore, these issues are now being viewed differently than even six months earlier.

More or less a year has passed since the trade provisions of the European Agreement have taken effect. On this occasion we invited representatives of the NGKM [Ministry of International Economic Relations], the IKM [Ministry of Industry and Commerce] and the Hungarian Economic Chamber—who previously expressed sharply conflicting views on the pages of this newspaper—and of two enterprises operating throughout Europe, to join FIGYELO's roundtable.

Our guests included IKM Administrative State Secretary Peter Balazs, Hungarian Economic Chamber Deputy Executive Secretary Gyorgy Farkas, NGKM Administrative State Secretary Endre Juhasz, Philips Commercial Ltd. Managing Director Janos Rudnay, and GE-Tungsram Corporation Board Chairman Gyorgy Varga.

According to preliminary 1992 data, the dollar value of Hungarian exports to the EC has increased by 14.4 percent. Meanwhile, the value of Hungarian exports to EFTA [European Free Trade Association] countries has increased by only 3 percent, and to the United States by only 6 percent. The value of our exports to Japan has decreased. Hungarian imports from EC countries expanded by 1.3 percent, altogether. Accordingly, the boosting effect of the agreement can also be seen from these figures.

The most specific part of the agreement on association went into effect on 1 March 1992, Peter Balazs said. From the standpoint of treatment accorded to Hungary under trade policies one should recognize that Hungary has joined the preferred group of countries not as a result of this agreement, but on 1 January 1990, when general preferential treatment had been extended to Hungary. This resulted in a 40-50 percent increase in the volume of trade with EC countries in 1990 and 1991. This growth rate slowed down in 1992 not on the basis of the agreement, but due to the general recession. By mere coincidence, Hungary's exports to the EC and to the former CEMA countries has increased at an identical rate, including the fractions of the percentage increases. On this basis Balazs concluded that the significance of market access was relative, because it would be difficult to justify statements to the effect that market access to the independent republics—showing the largest growth—has improved. On the other hand, Balazs regards the fact that 50 percent of Hungary's trade involves the EC countries as very significant; this ratio can serve as a basis for real integration.

Gyorgy Farkas expressed doubt about the suitability of the present Hungarian statistical system to track foreign trade. But if, by chance, the figures were accurate, they would measure only the volume of trade. At the same time, however, at least two qualitative considerations should be considered: first, whether profits and increased trade resulted from reduced customs duties, and second, if so, who benefitted from these profits and from the increased trade? Unfortunately, no statistical measurements exist in this regard, but based on opinions expressed by enterprises, at least half the amount of the incremental income was pocketed by importers. The sudden increase in the number of Hungarian exporters also suggests that smaller firms now entering the market have not learned how to acquire more of the profits generated by reduced customs duties, rather than yielding the same to importers.

Gyorgy Varga sided with Peter Balazs regarding the effects of the improved export market access. Although EC customs duties assessed after Tungsram products

were reduced by 1.2 percent, the reduction did not even come close to offsetting the impact of the 20-30 percent Hungarian inflation rate. Not to mention the fact that on the most important German market demand has declined extremely due to the recession. Janos Rudnay agreed with this statement. The declining growth rate of exports is due to a deterioration of the competitiveness of Hungarian goods, caused by revaluation-oriented exchange rate policies which do not keep in step with inflation. The global market recession has a similar effect. This is why the profitability of exports is decreasing, and this is troubling, because the Hungarian internal market is too small. One cannot make a living based on the Hungarian internal market alone.

"I wonder whether improving conditions for external market access is still the primary concern of Hungarian industry, or could it be that the role of protecting the internal market and industry has increased as compared to the situation that existed when the agreement was consummated?"

Endre Juhasz said that thus far the EC has been basically liberal in applying the provisions of the agreement on association. Since the effective date of the agreement, the EC has not initiated any action that could be regarded as adverse from our standpoint, such as protectionist devices, measures to protect their markets or to avoid market disturbances, or antidumping proceeding. The proceeding involving steel pipes had been initiated in 1991. True, we did not take advantage of such measures either until early February of this year, when we requested increased protective customs duties for 18 products at the Joint Committee's session in Budapest. The EC also manifested restraint when terminating the duty-free status of certain commodities; from among 78 commodities subject to tariff ceilings—in regard to which they may reinstate customs duties once the value of exports reaches the value specified in the contingent—they reinstated customs duties only on two commodities. (One of these was PVC [polyvinyl chloride], and duties were reinstated in this regard last October.) And insofar as the steel industry is concerned, we were threatened with retaliatory measures precisely because on the basis of the agreement on association we were able to deliver 100,000-120,000 metric tons of steel—flat steel—of a kind that had been subject to voluntary self-restraint before. Thus, instead of the earlier volume of 130,000-140,000 tons, we were able to export 250,000 tons of steel in 1992. The Hungarian textile industry—regarded as sensitive—increased its exports in 1992 by 60 percent, although it is true that most of the increase was due to contract work performed in Hungary. On the other hand, the fact is that in the present recessionary situation the EC listened to our proposal to increase customs duties for 18 commodities with reservations, just as it manifested no support for our earlier idea to accelerate the process. But a decision in this regard is expected later.

What effect did the agreement on association really have? To a small extent we began to compensate for the EC's tariff preferences, according to the IKM state

secretary. Although this fact alone did not significantly increase Hungarian imports, in a little more than a year and a half, beginning in 1995, we are going to abolish Hungarian customs duties on industrial products on a mass scale. This will affect half of all Hungarian imports. Previously the Hungarian enterprises worked in a protected CEMA market, one that was open to a less competitive region than Hungary. At this time, the Hungarian economy is open in the direction of a far more competitive region. Meanwhile the Hungarian entrepreneurial sphere is rapidly growing, and this group voices its real interests through interest groups and even through parliamentary representatives.

We began to feel the real effects of the agreement only a few weeks or months ago, when, at the Budapest meeting of the Joint Committee, we probed—perhaps with a bit of delay, perhaps with a sense of uncertainty—how we could take advantage of protectionist provisions of the agreement. We must recognize that the EC representatives were highly critical of our assumptions. As it turned out, the EC's perception differs from ours regarding e.g. the meaning of "nascent industry branches"; they claim that neither our state administration nor our enterprises have experience regarding protectionist procedures.

Peter Balazs said that he was curious to see how the EC would react to our proposals.

"Enterprises pinned great hopes on the agreement, but they also expressed fear. How much of this was justified?"

Gyorgy Farkas believes that the anticipated growth has failed to materialize because circumstances have changed between the planning and the implementation stages of the agreement. The agreement should not be blamed for this. By the time the agreement took effect, changes in ownership and economic structure began to materialize, and these changes were of such magnitude that they placed the various market factors into an entirely different situation. In his view, the fears were justified to this extent, and the Hungarian Economic Chamber had voiced these fears from the beginning, asserting that Hungarian enterprises were unaware of the requirements to be imposed by the agreement. According to an assessment made late last year, particularly the large and medium size enterprises feared competition; small enterprises and private entrepreneurs were optimistic about becoming associated with the EC; they hoped for an expanded market and an integration with the European market on a larger scale. Firms established with foreign interests find themselves somewhere in between these two extremes; they are aware of the market and of the rules of the game.

In Janos Rudnay's view the knowledge foreign joint enterprises and multinational firms contribute may be important because they also view the Hungarian economy from the outside, and are able to compare the Hungarian investment climate with investment climates in other countries. They could, for example, call attention to contradictions between the customs system and the tax system. Since they are

unable to manufacture everything in Hungary, their experience regarding rules of origin and accumulation issues are of particular importance.

What exactly do the multinational firms want? Simply put: They want to be competitive. Markets need not be protected in order to be competitive, what's needed is a predictable economic and industry policy. Accordingly, whenever Rudnay hears of protectionist measures, he wants to know what exactly is meant by those. Frankly, he is concerned that at election time in particular, protecting domestic industry and raising customs duties could become political watchwords.

Gyorgy Varga adds that Tungsram has never waved a banner calling for the protection of domestic industry. He was working in Spain when that country was in a phase in its approach toward Europe similar to that seen in Hungary today, and surely, certain sectors of the domestic industry did receive strong support. This support did not necessarily manifest itself in the form of customs duties, but as economic programs, tax and investment benefits, and credits. Varga does not see any merit in the "catching up" strategy described in government programs, even though investors make their fundamental investment decisions on that basis.

The recently appointed state secretary of the NGKM [Juhasz] was joined by Peter Balazs in saying that the association with the EC, the prospect of joining the EC in the future, is the factor that motivates enterprises to begin viewing the EC market as the norm in terms of quality, technical standards and consumer protection. The parliamentary committee on the EC came about with the partial goal of making certain that new legislation would be consistent with EC rules. Accordingly, if there is no long-term streamlining plan, joining the EC must be the foundation for Hungarian economic strategy. Juhasz disagreed with Gyorgy Farkas' description of Hungarian entrepreneurs. For example, entrepreneurs were virtually panic-stricken by having to fill out documentation, source of origin forms required by the trade agreement. In the end, however, from among more than 100,000 EUR1 source of origin certificates, the EC authorities returned little more than 100 certificates for verification because of one or another problem they found. Among these they found real source of origin problems in only a few dozen certificates. Accordingly, the enterprises adapted themselves well to the new system. (It is yet another matter that the EC is reluctant to accept from Hungarians the simplified EUR2 certificate.)

Endre Juhasz is dumfounded by statements to the effect that the agreement provides less to the enterprises than what had been expected. The agreement opened markets to Hungary, beyond that, one could not expect the agreement to offset the deteriorating competitiveness of Hungarian producers, a deterioration that occurred because of exchange rate policies or for other reasons. But Juhasz also argues with Peter Balazs. When rating the effects of the agreement on association, one should make comparisons only with more or less similar partners, such as Austria, Belgium, and Luxembourg. (Trade

with the former CEMA countries is increasing after having reached a very low point.) And while Hungarian exports to Austria increased by only 3 percent last year, Hungarian exports to the Benelux countries increased by 60 percent. Accordingly, the agreement on association must have had some additional positive effects.

Insofar as the future is concerned, the roundtable guests expressed optimism regarding Hungary's chances of joining the EC. Joining the EC is no longer a unilateral political wish expressed by the Visegrad countries. An official EC document published in Edinburgh indicates that the EC member countries recognize the validity of the Visegrad countries' intent to join. Previously, the acceptance of any country was decided on the basis of political considerations. Since political obstacles in the path of joining have ceased to exist, the possibility of evaluating admissions to the EC on the basis of economic criteria cannot be ruled out. Juhasz said that from Hungary's viewpoint it was important that fields in which the EC was going to measure progress had already been determined at the Copenhagen summit. Even though the EC is not providing an exact date for Hungary's membership, it does make a difference whether we become members at the end of the decade or, let's say, in the year 2010.

One thing is certain, however: We must revise our expectations regarding the benefits to be received as a result of joining the EC. The EC is not a charitable institution, after all.

[Box, p 13]

Down the Slope?

The multinational firms participating in the roundtable conference did not close a banner year either. The general recession has also adversely affected GE, which controls about 14-15 percent of the lighting source market in Europe. Tungsram's Hungarian plants recorded a loss of 9 billion forints in 1992, along with sales revenues totalling 36 billion forints. Of the 9-billion-forint loss, at least 1.6 billion forints may be attributed to appreciation, according to the firm's calculations. Tungsram exports 80 percent of its products.

Philips Hungary Commercial, Ltd.—like its parent company—closed the year 1992 with a loss. (They did not want to reveal the amount of loss.) The firm controls less than 5 percent of the Hungarian television market, mainly because of import duties raised to the 30 percent level in order to protect domestic producers, according to Philips management. Their VCR sales share in Hungary is 20 percent, and they are selling mostly equipment manufactured in Hungary. Although the recession makes itself felt in this market too, Philips hopes that the decline is only temporary.

[Box, p 14]

Those 18

The Hungarian party requested consultation regarding its intent to raise customs duties on the basis of nascent industry branches or transforming industry branch situations. Although the EC delegation acknowledged that Hungary had a right to apply this clause, they also requested supplemental information and pointed out certain differences in interpretation. In their judgment an industry that began producing during the period prior to signing the agreement was not a new branch of industry. The Hungarian side interprets the concept of a new industry branch in broader terms; it regards as new any industry branch that has not achieved an appropriate use of its capacities, or, whose full scope of products has not been introduced in the market. The EC does not recognize structural transformation as modernization either. The concept developed by the IKM interprets this matter more broadly.

Another round of consultations is going to follow 30 days after the submission of the required supplemental information in order to decide this debate. Only after that consultation is the Hungarian party going to apply to GATT for authorization to increase customs duties.

Many believe that the agreement on association will be tested for the first time when an agreement is reached about the 18 commodities—already narrowed down from 27—which include mostly chemical products, and whose competing producers are not in the West, but in the East, according to information we received.

Comparison of Exports Payable in Convertible Currencies, Per Type of Destination Country (in percentages, based on dollars)

	1991	Jan-Sep 1992
Developed countries	69.5	71.6
Developing countries	8.8	5.2
Former socialist countries	21.7	23.2
EC countries ¹	46.0	50.1

¹As a percentage of all exports.

Comparison of Imports Payable in Convertible Currencies, Per Type of Source Country (in percentages, based on dollars)

	1991	Jan-Sep 1992
Developed countries	68.8	71.6
Developing countries	11.2	4.5
Former socialist countries	20.6	23.9
EC countries ¹	42.6	45.4

¹As a percentage of all imports.

* Insurance Market, Situation Described

93CH0536D Budapest FIGYELŐ in Hungarian
25 Mar 93 p 33

[Unattributed article: "Insurance Market; Landscape During the Battle"]

[Text] Hungaria Insurance and the AB-Aegon [State Insurance-Aegon] controlled 75 percent of the insurance market as of the end of 1992.

As of late 1991, however, Hungaria and AB-Aegon, the two largest and oldest insurance companies, claimed 87 percent of the insurance market. Hungaria Insurance still plays the lead role in the market, but 6 percent of the 15-percent market share loss incurred in 1992 became a gain for AB-Aegon, according to a new assessment by GiroCredit. AB's success may be attributed to market positions it regained in the life insurance and household insurance fields, controlling 70 and 80 percent of these markets, respectively. New insurance companies are trying to break into the market primarily with new products, a variety of services, and competitive prices, thus luring away some clients from the large insurance companies. The new companies also service foreign clients operating in Hungary whose parent companies they also service abroad.

The new companies made the most spectacular gain with life and car insurance. Nationale Nederlanden gained market shares in life insurance, Colonia and Providencia in life and car insurance, and Generali in commercial insurance. Aside from AB-Aegon, premiums collected by Providencia and Generali increased significantly. While premiums collected by all insurance companies increased by an average of 17 percent, these two insurance companies increased their premium revenues by 170 and 77 percent, respectively, and controlled 12 percent of the market.

In 1991, mandatory liability insurance premiums represented 29 percent of the industry's 62,213 million forints of revenues; the remainder was based on voluntary insurance: 30 percent of the premiums represented the insurance of private persons, 22 percent of personal property, and 19 percent of commercial property. Using different categories, the same amount breaks down as follows: 21 percent of the amount represented life insurance premiums, 12 percent commercial and comprehensive property insurance, 11 percent was based on hull insurance [Casco], 9 percent represented private building insurance, 8 percent was paid in for CSEB [Group Life and Accident Insurance], and 10 percent for other types of insurance.

Damage claims in 1991 amounted to 50,895 million forints. The ratio of claims as part of premiums was as follows: mandatory motor vehicle liability insurance—66 percent; life insurance—57 percent; comprehensive

commercial property insurance—66 percent; hull insurance [Casco]—214(!) percent; insurance of private buildings—78 percent; CSEB—78 percent.

Atlasz Travel Insurance is probably going to be the only insurance company to record profits in 1991 and 1992. AB-Aegon closed in 1992 with a loss of 1.5 billion forints. Although due to differences in the insurance products offered and the length of time these companies have operated, one cannot generally state the amount of loss incurred by all insurance companies, but AB-Aegon's position well reflects the insurance industry's sad situation. Last year the ability of insurance companies to perform well was determined by new companies, which collected premiums based on an increased number of services offered. In addition to the expanded service provisions, premium increases also played a role. The main reason for increased premiums was the increased number of risks which insurance companies had to underwrite when entering into agreements.

The year 1993 is also expected to be a bad year for insurance companies in Hungary; this comes as no surprise considering the economic situation. Although 13 insurance companies are already operating in the Hungarian market, GiroCentral's analysis indicates that there is room for additional companies, but these are only going to increase competition. Signal Insurance, Germany's largest health insurance company, opened a local office in Hungary hoping to acquire the 14th permit to act as an insurance company. Other potential factors in the Hungarian insurance market are Zurich, Gothaer Life, Der Anker Allgemeine, and Interrisk; they decided to wait for the enactment of the new insurance law before making a decision. Until then, their presence in Hungary is maintained only by a representative office.

Insurance Premiums Collected

	Gross Premiums (in millions of forints)	Percentage Changes in Premiums Collected (real value) ¹	Inflation Rate (percentage)	Percentage Changes in Premiums Collected (real value) ¹
1987	21,951	—	—	—
1988	24,990	13.84	15.50	- 1.66
1989	30,047	20.24	17.00	3.24
1990	39,797	32.45	28.90	3.55
1991	62,213	56.33	35.00	21.33
1992	72,900	17.18	23.00	- 5.82

Note: 1992 gross premiums and inflation rate are estimates

Source: MABISZ [Hungarian Insurance Association] and Hungarian National Bank

¹[As published. Third column heading "real value" is actual increase before adjusting to inflation; fifth column heading "real value" is percentage change adjusted to inflation.]

**Summary Data of Insurance Companies
Doing Business in Hungary**

Insurance Company	Year Established	Number of Offices	Number of Authorized Insurance Products	Number of Employees	Number of Commission Agents
AB-Aegon	1991	150	353	3,993	1,900
Argosz	1992	5	35	57	110
Atlasz	1988	6	11	69	10,000
Colonia	1990	10	44	365	6
First American-Hungarian	1990	1	6	34	200
Europa-Gan	1990	13	27	62	140
Exportgarancia	1992	1	7	40	0
Garancia	1988	25	15	350	60
Generali Budapest	1990	35	60	250	650
Gloria	1990	7	5	74	20
Hungaria	1989	244	250	2,953	870
Nationale Nederlanden	1990	27	5	150	1,500
Providencia	1989	52	85	778	417
Total	576	903	9,175	15,873	

**Summary Data of Insurance Companies
Doing Business in Hungary**

Insurance Company	Total Net Premiums							
	1989		1990		1991		1992	
	millions of forints	%						
AB-Aegon	15,097	55	14,680	40	22,331	37	21,400	35
Argosz	—	—	—	—	—	—	8	<1
Atlasz	409	1	393	1	590	1	1,283	2
Colonia	—	—	—	—	2,499	4	1,900	3
First American-Hungarian	—	—	—	—	26	<1	122	<1
Europa-Gan	—	—	—	—	83	<1	251	<1
Exportgarancia	—	—	—	—	—	—	242	<1
Garancia	227	1	350	1	806	1	1,500	2
Generali Budapest	—	—	1,208	3	1,469	2	2,600	4
Gloria	—	—	—	—	—	—	6	<1
Hungaria	11,795	43	19,609	54	29,684	50	24,790	40
Nationale Nederlanden	—	—	—	—	198	<1	1,600	2
Providencia	—	—	176	0	2,095	4	5,640	9
Total	27,528	100	36,416	100	59,781	100	61,342	100

*** Budapest Budget Submitted Late; Problems Viewed**

93CH0551B Budapest HETI MAGYARORSZAG in Hungarian 26 Mar 93 p 6

[Interview with Ervin Demeter, Budapest General Assembly representative of the MDF, by I.B. in Budapest; date not given: "Trend of Indebtedness Begins in Budapest; Bargains, Checks, Partisan Fighting"]

[Text] *The MDF [Hungarian Democratic Forum] representatives seated in the Budapest General Assembly have determined that the SZDSZ [Alliance of Free Democrats] leadership of Budapest submitted the 1993 budget guidelines for the City of Budapest with a two-month delay. The 3-billion-forint deficit that appeared in the first version of the proposed budget has increased to 5.2 billion forints in the second version. On the day when the General Assembly met, the city fathers were given an hour and a half to introduce amendments (the law provides a minimum of eight days for this purpose). The approved budget provides a "blank check" for 400 million forints to FIDESZ [Federation of Young Democrats]; this fundamentally contributed to the fact that the Young Democrats voted to approve a budget that embarked the city on the path of indebtedness, according to the MDF representative group.*

After the news conference we asked Ervin Demeter, the leader of the city's MDF representative faction, to respond to questions raised by HETI MAGYARORSZAG.

[I.B.] Did they fail to submit the budget of the City of Budapest to the General Assembly on time, in your view?

[Demeter] The local government budget guidelines were supposed to be submitted to the city leadership by 30 November, and a new budget should have been prepared within 60 days after the adoption of the state household law.

[I.B.] What took place the day when the General Assembly met? What has happened in this regard in Budapest?

[Demeter] Instead of meeting the 30 November deadline, the budget guidelines were presented to the General Assembly at the end of January.

The General Assembly convened in the morning of 25 February; at that point we witnessed some rather coarse action: The leadership of Budapest presented a new, alternative budget. In doing so, they gravely violated the principles of democratic procedure, because they granted only an hour and a half for the introduction of amendments. We regarded this conduct as unacceptable, and this is why we protested by not voting.

We sat in our places with a sense of responsibility; we did not press either the "yes," the "no," or the "abstain" buttons.

[I.B.] Whom do you hold responsible for the delayed submission?

[Demeter] I have before me a 50-page document; it does not show who submitted it. The mayor of Budapest is responsible for this, in my view.

[I.B.] What differences do you recognize between budget preparation before the system change, and the way things were done this year?

[Demeter] Under the council system, the tasks and the related, needed resources were determined and allocated at the peak of power. Distribution followed upon adoption of the budget, through a central channel. In contrast, the present local government system builds from the bottom up. And yet, Budapest has inherited the old institutional system, which they have not reviewed to this date, even though the functions performed by the city of Budapest should be streamlined with the city's financial capabilities. In our view, the cost of operating the old institutional system exceeds Budapest's financial resources.

[I.B.] One often hears that parliament does not provide enough money to finance the operations of Budapest. How do you view this?

[Demeter] I believe this to be a mistaken view. The fact is that based on new legal provisions, large cities receive less money for the performance of community functions than small settlements, but the full amount of personal income tax revenues continues to be allocated to the local governments, only its distribution is different. Seventy percent of that amount is allocated on a standard basis, earmarked for the performance of certain functions, and 30 percent is allocated in proportion to the amount of income taxes collected.

At the same time we must not forget about the new law on local government assets, because this law provides larger and more significant assets to large cities than to small settlements. The fact that an itemized assessment of the property owned by Budapest has not been performed to this date presents a very sad situation, because this way the local government cannot really manage its own assets. The city's leadership should not criticize the external conditions only; it should also take advantage of the available opportunities. Opening one's arms and saying that the external conditions are bad, while failing to remedy problems in the spirit of good management, by utilizing existing resources, is a sign of poor management.

[I.B.] Is the 5-billion-forint budget deficit justified?

[Demeter] In our view a decision on the part of Budapest's leadership to spitefully prove that Budapest needs more money represents flawed political conduct. We are convinced that the 63.6 billion forint of budgeted expenditures include an awful lot of reserves, the efficient use of which could eliminate Budapest's need to borrow funds. There is concern that the new leadership of

Budapest to be installed after the 1994 local elections is going to inherit a substantial debt. I note here that Budapest had no debt in 1990, when the present leadership took charge of the city.

[I.B.] The news conference was told that FIDESZ had received a blank check in the amount of 400 million forints, and that this is why FIDESZ had voted to approve the budget. Don't you think that this statement is bound to whip up many stormy situations?

[Demeter] FIDESZ voted to approve the budget because it received a 400-million-forint blank check, in the framework of which their representatives were able to manufacture expense items that satisfied their individual ambitions and peripheral interests. From a practical standpoint, they "bought" the FIDESZ representatives' votes based on individual interests. We prepared a table to summarize the 22 items that represent these 400 million forints, to enable everyone to decide whether this money was well spent. I emphasize that the leadership of Budapest intends to finance each of these items from credit, thus the interest to be paid represents yet an additional burden. Accordingly, we do not object to providing, e.g., to a foundation, additional support

amounting to several million forints, what we question is this: Is it necessary to borrow several millions of forints to enable Budapest to pay this amount to the given foundation? At a time when fare increases made by the BKV [Budapest Transit Company] are expected to produce an additional 500 million forints in revenues—(while the BKV receives 2 billion forints less from Budapest than in the previous year)—should we expend 400 million forints for the above-mentioned 22 peripheral purposes?

[I.B.] The term "voting machine" is usually mentioned in conjunction with parliament. How does this work at the Budapest General Assembly?

[Demeter] I would not compare the two situations, because parliamentary representatives have an opportunity to express their arguments, while we do not have an opportunity to do so regarding the budget. Painful is the fact that the leadership of Budapest has failed to observe the democratic rules applicable to local governance. To them it comes as natural that the majority view prevails. But we also know that the voters are going to decide whether this kind of enforcement of their will should continue after the local elections.

**Supplemental Needs Recommended by FIDESZ
To Be Incorporated Into the 1993 Budget**

	Amount (in millions of forints)
Bicycle path construction	70.0
"Green heart" environmental movement	5.0
Preparations to declare places as protected natural values	21.6
Forestation (includes the reconstruction of the Merzse swamp)	49.5
Reconstruction of parks, rows of trees	20.0
Scholarship Fund (educational purpose)	3.4
Education Fund	35.0
Youth Fund	28.0
Child and Youth Protection Fund	12.0
Pro Scholis Urbis	2.0
Treasure Hunting School	10.0
Establishment of a tent theater while Vig theater is being reconstructed	25.0
Budapest Fall Festival (Including budget support for Open Air Theater)	15.0
Budapest Ervin Szabo Library (acquisition of books and periodicals)	5.0
International Children's Rescue Service (organizing Budapest Children's Day and Christmas)	1.5
Natural Therapy Hospital	50.0
Early Development Center	20.0
Come in! (Bekasmegyer Social Foundation)	4.0
Service Assistance Foundation (to support unwed mothers and their children)	1.0
Humanitas Civitatis Foundation	10.0
Support for physically handicapped persons (under the authority of the Minority, Human Rights and Religious Affairs Committee)	10.0
Renewal of the dental technology laboratory at the Stomatologia Institute	15.4
	413.4

* **Proposed 'Compensation' IOU Discussed**
93CH0536C Budapest FIGYELO in Hungarian
25 Mar 93 p 12

[Article by Hungarian Democratic Forum Representative Lajos Zsupos: "Compensation Promissory Note Contradictory"]

[Text] Compensation, one of the most disputed issues of our days, is attacked by many especially because it is a long-protracted process accompanied by many uncertainties. The process is significantly slowed down by the fact that the transformation of cooperatives and the privatization of state farms must be accomplished simultaneously. New owners for 3.5 million hectares of cooperative land, and approximately 3 million hectares of state-owned land must be found.

Changes in land ownership patterns of this magnitude have not occurred for centuries, and thus it is understandable—and periodically a cause of nervousness—that low funding by the state budget does not suffice for providing appropriate institutional conditions to settle this matter in the short term. For this reason, representatives are trying to shorten the processing time by introducing various amendments to the compensation law. Aware of financial constraints, however, they are unable to accelerate the process as a whole, and therefore they pick certain parts of the compensation process and manipulate those.

These proposed amendments include a FIDESZ [Federation of Young Democrats] proposal introduced by Bela Glattfelder. The essence of this proposal is calls for the issuance of compensation promissory notes to cooperatives for the land they placed into the land bank, and that the land be accounted for at a 500 forint/gold crown value. This promissory note would enable cooperatives to participate in all kinds of privatization endeavors.

The amendment that sounds good at first hearing includes a number of traps, and I will mention only a few of these. The promissory notes would upset the market balance that exists between compensation vouchers and property offered in exchange for such vouchers. This then would prompt a depreciation of compensation vouchers, and this would be highly dangerous. A cooperative would take possession of the state property it obtained in exchange for the promissory note while still using the land bank designated for compensation purposes, and thus, it would collect the profits simultaneously from two properties.

Similarly, one cannot agree to having only one sector benefit from compensation—notably, the cooperatives—while individuals receiving compensation could not do the same. It is obvious that a private owner or an entrepreneur would also like to utilize his compensation voucher in the course of privatization as soon as possible. Thus, the FIDESZ solution is not sector-neutral; it is, in fact, discriminatory.

Another question is this: What happens if a piece of land is not going to have an owner, but the value of which has been collected in exchange for a compensation promissory note. Under these conditions a cooperative would be unable to account for the compensation voucher.

The promissory note would indicate a single amount, and since it would constitute an asset belonging to the cooperative members, one could not be certain whether everyone would like to utilize the promissory note the same way. Thus persons wanting to use the promissory note for different purposes would be injured.

Based on all of the above, I do not predict a great future for the compensation promissory notes.

* **Sasad's Latest Effort To Incorporate**
93CH0536B Budapest FIGYELO in Hungarian
25 Mar 93 p 6

[Unattributed article: "Sasad Corporation? ... This Is Going To Be the Last Struggle?"]

[Text] More than a year ago the registration of Sasad Corporation as a firm was cancelled based on a court decision.

According to Sasad Chairman of the Board Dr. Laszlo Mihalik, reversing the stock corporation into a cooperative prompted the withdrawal of \$1.2 billion in foreign investments.

One cannot shed tears and ponder the good old corporate days, when, in the course of 11 months, Sasad multiplied the former cooperative's profits tenfold. The livelihood and work of more than 4,000 owners, and within that, 2,000 workers was at risk. The "dismissed" stock corporation managed to increase its 1992 profit from the already tenfold increase of 1991 by an additional 2 percentage points. Based on 1992 profits, 170 million forints in dividends were paid after Sasad business shares.

After the court ruling, on 20 January 1992, deeds were issued for all assets owned by the Sasad Cooperative. In the framework of this distribution, 1,600 former cooperative members or their heirs received more than 1 billion forints' worth of business shares. Taking advantage of opportunities provided by law, only 58 of the more than 2,000 working cooperative members left Sasad and took with them 132 million forints' worth of assets. On 20 October the general meeting adopted new bylaws, and for the fifth time since 1990, elected Dr. Mihalik as its leader.

Putting an end to the establishment of a new cooperative, six weeks later more than 30 percent of the membership filed an initiative with the cooperative's supervisory committee to once again convert the cooperative into a stock corporation. Based on this, a general meeting to prepare the conversion was convened on 16 March 1993. In an effort to find out their intent, the 4,000 owners received forms on which they could declare their intent. Three thousand of the 4,000 persons asked responded. Of these 2,976 wanted to convert the cooperative into a stock corporation, and 24 did not. Within the group expressing a negative intent, five were cooperative members, and 19 were owners from the outside.

The declarations of intent could not serve as a substitute for a preparatory general meeting, however. Seventy-five percent of the membership appeared at the 16 March event, and decided in favor of establishing a stock corporation with three persons abstaining. This meeting will be followed by the organizing meeting of the stock corporation; it is expected to declare the conversion of the cooperative. After that meeting the founding documents will be submitted to the court of registry.

Some loose ends still remain in laws governing conversions, i.e., various paragraphs can be interpreted in different ways. Therefore, considering every possibility, Sasad Cooperative had its founding charter drafted by professionals familiar with this matter by virtue of their office or practice, so as to minimize the risks. Trusting in a relaxed political situation, the wisdom of the court, and God's help, the people from Sasad hope that "... this is going to be the last struggle!"

*** First Crisis Prevention Center Opened**
93CH0551A Budapest HETI MAGYARORSZAG in Hungarian 26 Mar 93 p 4

[Interview with Dr. Istvan Samu, head of the Budapest Social Policy Division Crisis Service, by Attila Buki; place and date not given: "A Doctor Is the Samurai of Protecting Life; Crisis Center To Serve the Homeless, the Fallen"]

[Text] *The Budapest local government Social Policy Division's Crisis Intervention Center opened its doors the other day on Dozsa Gyorgy Street.*

This is the first institution in Hungary that has as its purpose helping people who have been swept to the peripheries of life and who are in trouble. The daily news coverage of the service center was not unjustified. Its chief is psychiatrist and chief physician Dr. Istvan Samu.

[Samu] At the Salgotrjan Neurological Clinic and so-called Crisis Intervention Center, my psychiatric practice evolved in a way that work in the field of health care coincided with social welfare provisions. This came about as a result of paying increased attention to the causal factors of neurological disorders and alcoholism. We visited workplaces and families where conflicts had

arisen.... Actually, this evoked my interest in sociology, in dealing with problems of sick people in disadvantaged situations.

[Buki] I understand that in those days certain people in leading positions disapproved of these activities of yours.

[Samu] I tried to cooperate with the then county, state, and party leadership in the interest of providing patient care. There were disputes, of course. They tried to isolate from the populace primarily the patients whom they regarded as members of the opposition. They wanted us to make distinctions in the course of providing patient care; in other words, they did not want us to support "the enemies of the system...."

[Buki] What motivated the establishment of the crisis service center?

[Samu] There already exists a workers' hostel network in Budapest capable of receiving the homeless—it is a temporary place of abode, a homeless shelter, a place to stay at night, a refuge—as well as a service that provides care on the streets, to supplement the hostels. The patient care unit of the crisis center is linked to this network.

[Buki] What kind of care are you able to provide to homeless, sick people?

[Samu] We provide ambulatory care and care for people confined to bed. The latter also applies to services rendered at home, to caring for families if there is no one to care for the sick, and if homeless, for people in need of hospital care who must leave the hospital after a certain period of time, but whose condition requires subsequent treatment. These people cannot be left on the street, and they must not be allowed to make a living off the street. We provide help in such cases. Sometimes hospitals are unable to admit homeless people due to lack of space. We admit them in such instances and take care of them. We received half the number of our present patients from hospitals; the rest came from homeless shelters. These people have broken legs, pneumonia, or severe cases of influenza. Some require psychiatric care.

[Buki] Crises can occur in people's lives for countless reasons and in countless forms, and they can also occur unexpectedly. Do you provide services at night?

[Samu] We provide on call duty. The nurses work in three shifts. We agreed to perform three kinds of services for people confined to bed: prehospital services, posthospital services, and services in lieu of hospital care. Some shocking incidents hastened the establishment of this service. A patient was discharged from a hospital eight days after successful surgery. Since he had no home, he lay on the ground on the Danube quai.... I recall being told in Salgotrjan that "people represent the greatest value in society, but not all people!" In contrast to this approach, I claim that medical care and the struggle on

behalf of people must not depend on individual value judgments. Every person is equally entitled to the right to live.

There are more than 5,000 homeless people in Budapest at present. Even the provision of meals commensurate to daily needs remains unresolved. Particularly during the winter, one meal a day does not provide an adequate number of calories. Thank God, this winter we managed to provide them with overnight shelter. The two or three incidents in which people froze to death involved drunks. Regardless of how much one produces for society—in this case the homeless—we provide a certain level of security even for them. We are aware, of course, that they are ruining their own lives, but some of these are victims of their fate, and the two kinds are mixed. The causes I mentioned do not relieve society from the need to perform its moral obligations.

[Buki] The concept of a crisis condition has been familiar for long; it has a different meaning in various ages. I have in mind here somatic diseases, i.e., illnesses of psychological as well as social origin. What is the predominant meaning of this term today?

[Samu] People with adequate finances do not experience material concerns. They may recognize an abyss between expectations and possibilities, at most; within this group depression, a feeling that life is unbearable, and suicide are caused primarily by emotional shocks. Others find themselves in crisis situations due to their fear of not being able to make a living. On the other hand, I find that the populace has become hardened. The number of suicides has declined since the system change. Interestingly, we find only a negligible number of psychiatric cases among the homeless. The way they live, a good meal, a heated shelter represents success. They are not concerned with the future; they only worry about their hourly or daily needs. Life has become simpler for them. They spend their days acquiring food, collecting bottles, searching garbage cans, shopping, perhaps stealing some food, informing each other. The latter pertains to places where they are able to warm up, where they can obtain free food, perhaps clothing. They tell each other where to find empty railroad cars to spend some time and converse, a place from where they would not be chased away. There are some, of course, who do not accept the overnight shelter and the free lunch.... They continue to spend the winter in their customary nooks (in bunkers in forests and in railroad cars)....

[Buki] How does the service help the sick homeless people?

[Samu] The form of assistance is different in virtually every case. Today, for example, we admitted a longtime bum who once again has a spoon in his stomach. This happens when he feels that someone, some people, or something is against him, and in such instances he swallows a spoon as a matter of self-defense, in order to be admitted to a hospital. In his view a hospital bed is a "quiet island"; in other words, he is looking for peaceful conditions. He also swallowed a spoon when he became bored with being in prison, in order to be removed from his cell for a while. Incidentally, many soup spoons have already passed through him without any trouble. At this time, too, we are waiting to see whether the spoon gets stuck, and whether he requires surgery. On the other hand, we would like to place him in a social welfare home or some other place, where he could live with fewer conflicts, with less tension. At this time he would like to be admitted to Pomaz.... We place people with broken legs in homeless shelters, once they recover.

[Buki] Are there any ways out of crisis situations with which your patients struggle?

[Samu] We find that the situations of younger people become consolidated at certain stages of life. They acquire temporary accommodations, they establish life-long companions or marital relations. Some obtain or accept jobs. In rare instances a relative or an acquaintance accepts them. We are unable to follow the lives of many because they disappear from sight. In any event, they are capable of pursuing a productive life on a periodical basis.

[Buki] You mentioned that hospitals discharge patients soon after surgery. Actually, who is responsible for the condition of sick people, for homeless people who are sick?

[Samu] From an ethical and professional standpoint, some doctors are neither worse nor better than the rest of society. A majority of the physicians regard the medical profession as an avocation by all means, and these people observe appropriate standards. At the same time, however, some doctors have been conditioned to believe that their function was limited to health care provision, and that social circumstances should be disregarded. The Ministry of Public Welfare was established to deliver health care and social services. A sharp distinction exists between these two functions. This duality is being underscored by the introduction of the social security card and the point system. The truth is that health care and social welfare issues cannot be separated from each other. A physician is the samurai of protecting life. And as long as protecting life is the function of doctors, then this is also a function of society. I hasten to add: Protecting peace is also a social function.

*** Regional Cooperation Promoting EC Membership**

93EP0210A Warsaw WPROST in Polish No 11,
14 Mar 93 p 13

[Interview with Jan Krzysztof Bielecki, minister for the integration of Poland with the EC, by Piotr Andrzejewski and Krzysztof Golata; place and date not given: "The Partition of Europe"]

[Text] [WPROST] Your comment "Poland is too big a country to effectively integrate itself with Europe, and, hence, we have to divide it into regions" was characterized by Deputy Lopuszanski as "a partition of Poland."

[Bielecki] Local, regional cooperation is no less important than "big-scale" cooperation between countries, whether Mr. Deputy Lopuszanski wants it or not. Suffice it to consider Wielkopolska, where things are jumping, and people on their own are exploring the economic advantages ensuing from cooperation. Confusing it with some partition of Poland merely muddies the waters and can hardly be considered other than as a political ploy in bad style. Besides, in accordance with the division of powers within the Council of Ministers, the state's regional policy is in the competent hands of Minister Jerzy Kropiwnicki (ZChN [Christian-National Union]). It would be well if the deputies belonging to that party were to coordinate their views with those of their own minister.

[WPROST] In creating Euroregions in this country, is it your intent to demonstrate forcefully to the EC that integrative tendencies also exist in the east of Europe?

[Bielecki] We do not intend to demonstrate anything forcefully. After all, these are definitely local initiatives, not suggested, and the more so not imposed by the central government. The initiators of the establishment of the Nysa and Pomerania Euroregions are referring to traditional cross-border cooperation under way for more than 20 years by this time. The concept of the "Euroregion" is nowadays an idea whose time has come. Establishing a Euroregion requires, aside from ideology, above all assuring the requisite funding sources.

[WPROST] Can the Euroregions in which Poland is a participant count on any financial assistance from the European Communities?

[Bielecki] Generally, a prerequisite for receiving such assistance is membership in the Communities. But it can be assumed that, once the programs adopted at the EEC summit in Edinburgh begin to be implemented, a great deal of money will be allotted for the so-called cohesion—that is, the equalization of the economic levels of different regions. We as a potential member of the EC should apply for these funds because, if we are to be seriously considered in that role, granting the money now instead of in five years may prove more advantageous—to the EC, too.

[WPROST] Will the formation of the Euroregions help us get some money from the EEC even now?

[Bielecki] Unfortunately, I hardly see this as a possibility at present. Our activities are designed to promote cross-border cooperation in order to obtain at least minimal financial assistance from the Interreg Fund, which sponsors the activities of Euroregions. As for broader access to these funds, we can only dream of it, because they are earmarked for EC members. But the money shortage does not mean that local initiatives should be torpedoed. Instead of quarreling and skirmishing as in the case of the Gabczikowo Dam, it is better to plan ahead and build forms of cooperation.

[WPROST] There is the two-year-old Nysa Euroregion, which consists of 10 Saxon counties, five Czech counties, and 34 gminas of the Jelenia Gora Voivodship. Can we speak of specific joint initiatives in that region?

[Bielecki] That is a region of ecological disaster. I think this problem cannot be solved in the absence of a desire for cooperation among the local authorities of the three countries. The first step has already been taken: Funds serving to monitor the problem and explore solutions on the basis of thorough research have been found. The local communities in these three countries are jointly applying to the European Communities for funds.

[WPROST] To what extent can the so-called Stolpe Plan contribute to the establishment of a new Euroregion?

[Bielecki] From the outset, I have been skeptically commenting about that plan and once said so to its author. I believe that, at present, we do not need big programs. Small local initiatives surmounting the existing prejudices are more advantageous. Instead of the big bank wanted by the author of that plan, we should thus organize a society for sponsoring joint local investments. The German side has adopted my suggestions, and, at present, an institution of the "venture capital" [preceding two words in English] kind for financing cross-border cooperation is being established.

[WPROST] Well, then, how does normal cross-border cooperation differ from cooperation within a Euroregion?

[Bielecki] The difference lies chiefly in the scale of the undertaking. A Euroregion is always made up of a larger area. Western experience shows that the reason for forming a Euroregion is shared problems. The best example is ecology, which respects no boundaries. Cross-border cooperation often reduces to resolving a particular problem, whereas Euroregions are created with the idea of existing for a long time.

[WPROST] Opponents of the establishment of the Pomerania Euroregion, which is to associate Polish, German, Swedish, and Danish communities, claim that it would mostly benefit the Germans because they would

use EEC money to improve the health of Mecklenburg's economy and peacefully invade Polish western territories.

[Bielecki] As for ideological vigilance, I leave it to politicians of another orientation. Of course, the future agreement has to be so designed as to equally benefit every partner. That is precisely why I opposed the Stolpe Plan, because I was aware that it would benefit Brandenburg more than Poland. Before a Euroregion is formed, a cost analysis is needed. For small but specific projects, such cost analysis is easier.

[WPROST] Also stirring political emotions is the proposal to establish the Silesia-Moravia Euroregion, with 69 Polish and 62 Czech communities declaring their intention to join it.

[Bielecki] The perils should always be borne in mind. But the opportunities involved in the formation of Euroregions should be perceived. I wish once more to emphasize the local nature of these initiatives. The question that arises is quite different: Should we condemn local initiatives because we keep thinking in terms of perils, or should we, bearing in mind our national interest, support these initiatives? I need not mention that I prefer the latter alternative.

[WPROST] Deputy Janusz Korwin-Mikke, at a Sejm session, declared that the Carpathian Euroregion, which is a conglomerate of 33 communities with differing cultures and religions, harbors the peril of a future outbreak of Yugoslav-style conflict.

[Bielecki] I am familiar with that statement only from press reports. I must state, however, that Deputy Korwin-Mikke has behaved in an impermissible manner by trivializing the extremely serious events taking place in the territory of former Yugoslavia. It simply is not done.... As for me, I wish to emphasize once more that the formation of Euroregions is not imposed from the top. It is not even supported by the government. But, because such initiatives exist, they deserve elementary respect instead of being condemned in advance.

* Conflicting Interests in Government Coalition

93EP0210B Warsaw WPROST in Polish No 12,
21 Mar 93 pp 15-16

[Article by Boguslaw Mazur: "Cabinet of Curiosities"]

[Text] *The parties forming the government coalition are aware that they will not build a common electoral bloc in the future and are therefore trying to prevent their electorates from suspecting that they are too faithful to the slogans jointly proclaimed nowadays.*

The government draft of the budget was passed by a majority of 23 votes. As the delighted and relaxed minister of finance, Jerzy Osiatynski, left the Sejm room, a TV team was already waiting outside. Then Prof. Bronislaw Geremek made his comment. It turned out that not just

Osiatynski but also the entire governing coalition felt they were given breathing space by that vote.

September 1992: The motion to recall Minister of Ownership Transformations Janusz Lewandowski did not gain the required absolute majority of votes, but it did gain an ordinary majority, which, as such, should be supporting the government.

October 1992: At their separate meetings, UD [Democratic Union], the KLD [Liberal-Democratic Congress], and the PPG [Polish Economic Program] trashed the government's draft assumptions of socioeconomic policy.

November 1992: Bronislaw Geremek, the chairman of the Caucus of UD Deputies, declared that a government without the participation of the ZChN [Christian-National Union] was inconceivable. Stefan Niesiolowski, the chairman of the Caucus of ZChN Deputies, similarly declared that a government without UD's participation was inconceivable. These declarations were made after Deputy Prime Minister Henryk Goryszewski acknowledged that he could not conceive of a government without UD's participation.

January 1993: The KLD was instrumental in rejecting the Senate's proposal, approved by the government and the other parties in the governing coalition, for raising the value-added tax.

Many measures require not only the assurance of a sufficient turnout of deputies but also the exertion of suitable pressure on the deputies who vote against the positions of their own party caucuses. "Many deputies vote individually, if not irresponsibly. One consequence of this situation is the frequent change in the political hues of the caucuses of deputies," Stefan Niesiolowski complained. He was echoed by Minister Kaminski, "I am trying to persuade the chairmen of the caucuses of deputies to impose sanctions on such uncooperative caucus members. But, as I have not had much luck in that, I personally speak with such deputies," said Kaminski, who acknowledged that he also held such conversations with opposition deputies. The minister declined to divulge any names and merely admitted that, recently, he had been courting RdR [Movement for the Republic] and Christian Democratic deputies.

The arduous process of "persuasion" in the stillness of hotel rooms or during more official meetings with the caucuses of opposition deputies may prove as important as mobilizing the deputies of the "Seven" [the seven parties in the governing coalition]. In person-to-person talks and during work in committees, rational arguments can be employed, whereas, at voting time, rationalism often gives way to emotions, claimed Deputy Jan Litynski (UD). "For example, Deputy Marek Borowski (SLD [Democratic Left Alliance]) once voted at a Sejm session against his party's own compromise proposals that he had presented at a committee meeting." On the other hand, Minister Kaminski stated openly that, by now, he is feeling discouraged by the ineffectiveness of

meetings with entire opposition caucuses, which remain deaf to what might seem the most obvious arguments.

February 1993: Owing to the absence of 35 coalition deputies, the opposition succeeded in widening the budget gap by an additional 23 trillion zlotys. On the eve of the debate on the draft law on government decrees, the ZChN proposed 13 amendments.

"The coalition is hanging by a hair, but, until a realistic alternative for forming a new coalition appears, it shall continue to exist. And, if the coalition partners succeed in reaching a consensus on the decrees, the 'hair' will turn into a thick 'braid,'" claimed Deputy Andrzej Potocki, the KPUD [Parliamentary Club of the Democratic Union] spokesman.

"The opposition votes for political rather than substantive reasons; hence, even minor shifts in the number of votes may become decisive," said Deputy Stefan Niesiolowski, chairman of the ZChN caucus of 33 deputies. Prime Minister Hanna Suchocka was "recruited" from as far away as Hungary to be present at a vote. "I was driven to a vote from Okocie Airport in seven minutes. That experience was practically enough to give me gray hair," Potocki reminisced.

The total mobilization of deputies takes place especially when particularly important laws are to be voted on. Here the person in charge on the government side is Jerzy Kaminski, the minister for contacts with parliamentary caucuses and political parties, who "requests" the chairmen of discrete caucuses to discipline their members so as to make them vote in accordance with the government's proposals. Generally, such CTB, or confinement to the barracks, so to speak, works. "The facts are that the budget was passed by a majority of 23 votes and the ad hoc motion by a majority of 55," said Ryszard Czarnecki, the ZChN spokesman, when asked about the weakness of the coalition. Sometimes, however, deputies respond irritably to their disciplining.

The predominance of the coalition in the Sejm may diminish following the actual split within the Solidarity Caucus, with nine members taking a claimant position opposed to the government and 17 others being exposed to strong pressures from trade union activists. The Solidarity Caucus no longer attends the meetings of the "Seven," Minister Kaminski said. On the other hand, "One of the deputies from that caucus, who is opposed to Borusewicz and Rulewski, abstained from the voting on the budget," Litynski pointed out. It thus appears that here, too, the dividing line is not too clear. It also appears that the rise of the "Group of Nine" [opposed deputies] merely reflects the situation within the Solidarity Caucus.

"The coalition is being weakened by the lack of prospects," Deputy Kaczmarek (KLD) claimed. "The parties forming it are aware that, in the future, they will not build a common electoral bloc." In such a situation, they are trying to prevent their electorates from suspecting that they have forfeited their own identities.

Thus, the ZChN feels bound to prove that it was not at all "absorbed" by UD.

In its turn, UD is stressing its devotion to the European cause [to Poland's ultimately joining the EC], while the KLD is stressing its devotion to the idea of privatization and church-state separation. In this connection, all of the coalition parties are demonstrating mutual hostility. The struggle to preserve their electorates is causing unremitting tensions within the political parties, tensions that carry over to the domain of governance. Deputy Jan Lopuszanski (ZChN) is savagely attacking Minister of Foreign Affairs Krzysztof Skubiszewski for participating in the plan "to dismantle Poland's borders"—that is, to establish Euroregions. The Liberals oppose the government's proposal to raise the value-added tax. ("They have indeed been behaving rather oddly. Their decision was costly to the budget," Litynski said.) In its turn, the ZChN is proposing that children be included in the distribution of privatization vouchers. But the government's privatization proposal was adopted by the Council of Ministers in the presence of the deputy prime minister for economic affairs and many other coalition ministers. "The postulate of including children in the privatization process was presented on the last day of the committee's work, and I am aware that it is the kind of demand that may be popular," said Minister of Ownership Transformations Janusz Lewandowski. "The Coalition of the Seven has not reached a consensus on it, and so we have to resolve this issue by voting in the Sejm," Stefan Niesiolowski explained.

What is worse, the line of demarcation between the ideologies professed by the individual coalition parties and politics still remains fluid. Deputy Prime Minister Goryszewski revealed his doubts on the participation of UD in the government: "After a segment of UD supported tabling the Sejm's discussion of the draft anti-abortion law," Deputy Czarnecki explained, "our concern was not that the UD deputies vote like us but that the issue be finally resolved."

Concern for the electorate is at cross-purposes with the struggle to gain influence within the government itself, as demonstrated by the dispute about the former Minister of Justice Zbigniew Dyka and the scope of the emergency powers for Suchocka's Cabinet. Ryszard Czarnecki pointed out that Prime Minister Suchocka pledged at one time to notify the leaderships of the parties nominating their members for ministerial positions about her potential reservations concerning such nominees. At the same time, he admitted that some of the amendments to the law on decrees were indeed proposed quite late by the ZChN but, he added, "Better late than never because, otherwise, the draft of that law would probably have been mutilated in the Sejm committees, which would have altered its language fundamentally."

The struggle for electorate and influence is also taking place in the form of friction between ministers and caucuses of deputies. The friction is divided into real and apparent frictions. "At times, a minister successfully

resolves an issue in the forum of the government but the caucus of deputies representing the political party to which he belongs does not consider this initiative as binding on itself," Deputy Niesiolowski claimed. "It also happens, unfortunately, that the minister is sometimes unable to have a proposal adopted by the government, and then he passes it on to the caucus for further action." Then the latter, as can be readily guessed, launches on its own a campaign for taxes, equalization fees, or decrees.

According to Senator Jerzy Stepien (Polish Convention) the reasons for the absence of coordination between the government and the political groupings supporting are traceable to the system for the exercise of political power that has been inherited from the former Polish People's when the Politburo of the PZPR Central Committee used to act as the decisionmaking center. This was accompanied, in the state administration, by an upward shift in the scope of powers: The functions of department directors were actually transferred to deputy ministers, while their functions, in turn, had to be taken over by ministers, and the functions of the ministers thus were transferred to the corresponding Politburo members. Basically, this system precisely persists to this day, in the senator's opinion, except that now the former Politburo has been replaced by the leaderships of the fragile coalition of several political parties.

Senator Stepien's diagnosis appears to be confirmed by Aleksander Hall, the chairman of the Conservative Party. In his opinion, the weaknesses in the functioning of the governing coalition are due to the "domination of the particular interests of discrete political parties, the absence of a clear mechanism for decisionmaking consensus, and the refusal to accept the role of Prime Minister Suchocka as a strong head of the Cabinet."

According to Senator Stepien, this situation can be remedied solely by a thorough reform of the central administration, consisting of, among other things, a definite strengthening of the powers of the head of the government and obliging the leaders of coalition groupings to hold ministerial posts. This situation of dual governance can also be remedied by introducing parliamentary elections based on the majority principle, as a result of which two or three parties would suffice to form a government, and explicitly separating political from administrative posts.

"If the coalition is not functioning the way it does in Western democracies, that is because Polish politicians have yet to learn the difficult art of compromise," Deputy Czarnecki commented. For the time being, however, "with the exception of crucial issues," Deputy Filip Kaczmarek observed, "voting in the Sejm continues to resemble a lottery."

* Behind-the-Scenes Leaders of Parties Described

93EP0223A Warsaw SPOTKANIA in Polish No 9, 4-10 Mar 93 pp 11-17

[Article by Ewa Wilk, with the cooperation of Ewa Wilcz Grzedzinska and Stanislaw Marek Krolak: "The Leaders Behind the Scenes"]

[Text] The temperature and character of the Polish political scene indicates that it is being ruled not so much by discreet and adroit party leaders as by vehement musketeers.

Etos, Pornos, and Kompromis is what they were called by Janusz Korwin-Mikke, one of the many political leaders SPOTKANIA asked to name some worthy Polish contemporary successors to Joseph de Clerc du Tremblay, Capuchin, adviser and diplomatic agent to Cardinal Richelieu. "Freemasonry," "U.S. and German Embassy," "money, incense, and gun"—there were many such somewhat evasive answers to our question. Are there, in political circles, people who remain in the shadows but have an enormous influence on the course of events?

We received only affirmative replies (yes, there are behind-the-scenes people), but always with some kind of reservations. So first let us make some kind of order out of the reservations:

First:

—The people who have a real influence on the decisions of political leaders are far from the political scene, in the economic and banking circles, and in the mafia community, one of the leading political leaders told us. "You will not learn anything about the real powers behind the scenes anyway."

Second:

—None of the Polish politicians wants to be a power behind the scene. All of them see themselves in the front line, and all of them believe that they deserve an appointment as minister—at the very least. Furthermore, no one wants to admit that anyone would have an influence on his decisions.

Third:

What in the civilized world constitutes in some sense a formalized although behind-the-scenes influence on the political world—lobbying, for example—practically does not exist in our country. Such types of contacts are surrounded by discretion and covered with legend, and talking about them may bring harm to those involved, said Jerzy Eysymontt, calling the situation "uncivilized lobbying."

Fourth:

Most of the Polish behind-the-scenes people named are people who are not hiding behind a "Capuchin habit"

but are political leaders in responsible positions. Except that their influence extends further than their official scope of duties.

Fifth:

Actually, no one person was named as being the orchestrator of the entire political scene or of parliament, for example. The most powerful today not only are not equal to Cardinal Richelieu's confidant but are also not equal to such a "classicist" of behind-the-scenes actions as Zdzislaw Najder, during the premiership of Jan Olszewski.

"His influence on crucial decisions in the state at that time was unquestionable," says Jerzy Eysymontt, minister in the Olszewski government.

"Today, a comparable role perhaps may be played by Jan Nowak-Jezioranski. However, it would be difficult to ascribe it to Zbigniew Brzezinski, whose influence ensues rather from his international position" (Jerzy Eysymontt).

Behind-the-Scenes Structure

Who, then, in Poland? Let us begin with the Belweder. In the generally operative stereotype, this is an institution really made up of behind-the-scenes people—the president's entire "breakfast trio." Mieczyslaw Wachowski, Andrzej Drzycimski, and Father Francisek Cybula pass as such. Secretary of State Wachowski obviously received most of the votes in our poll, but to repeat the opinions about his influence in three ministries (justice, defense and internal security) would be a banality.

On the other hand, the person who appears in the president's immediate surroundings, posing frequently as a big "gorilla" in dark glasses, masking his real function, is Andrzej Kozakiewicz, under secretary of state for economic affairs.

—In the Solidarity past, Kozakiewicz was responsible for the privacy of the Walesa family, the politicians who are familiar with the "Gdansk deals" tell us. Family ties connect Kozakiewicz with the Belweder camp (he is Jerzy Milewski's son-in-law), as does his friendship with Jacek Merkel. That was a steady trio: Merkel and the Kozakiewiczes. In the Belweder, Kozakiewicz is noted for his contacts with private business. He is the one who conducted the history of the Modlin "cargo" scandal and those types of matters.

Andrzej Olechowski attained real economic stature in the Belweder. "I am not sure whether he is a bank controller on the side of the Belweder or a controller of the Belweder on the side of the banks," says one of the deputies.

"But his influence ensues from professionalism and real position," adds Eysymontt. "He is able of circulating very efficiently in banking circles and has good contacts and authority."

"His influence on the president is positive," emphasize our pollies.

As Minister and Nonminister

Hanna Suchocka's government also has its economic coaches, and many people point to Tadeusz Syryjczyk as one who is going beyond his cool role as adviser. And, which Jerzy Eysymontt suggests, Waldemar Kuczynski, recently active in economic publicity, also holds a strong position. Deputy Prime Minister Pawel Laczkowski's economic advisers are his closest colleagues, brought in from Poznan: Prof. Stanislaw Mikolajczyk and Dr. Zbigniew Wozniak.

But, if we are talking about the government, we should begin (and maybe end) with the influence of Jan Maria Rokita, who has certainly exceeded his predecessors on the position of chief of the Office of Council of Ministers (URM).

"It is good that there is a guy who knows what he wants and clearly says so," Deputy Jozef Orzel tells us.

But Minister Rokita's extraordinary activeness is received variously. Deputy Wojciech Dobrzynski (Center Accord) says that he "causes the most confusion in the government"; Deputy Marek Jurek (Christian-National Union) maintains that "Rokita's cadre policy may exert a very negative influence; it is a matter of his doctrine of no party affiliation, which, in practice, leads to discrimination against people who were involved in the activity of any party." Aleksander Kwasniewski (Alliance of the Democratic Left) sees the chief of URM as an "architect of coalition. Hence, the belief that his control over the government's internal matters is unlimited may be a little exaggerated. But, in the government, he may rank number-two and maybe even number-one." Even the party colleague of the former pacifist from Freedom and Peace, Deputy Henryk Wujec, has reservations about his style of operation: "The Club believes he carries out his cadre policy too independently. It is hard to negotiate with him and difficult to convince him that he may be wrong."

Krzysztof Zabinski (Liberal-Democratic Congress, with his own experience as chief of URM during Jan K. Bielecki's days) calls attention to the exchange of roles between Rokita and Deputy Prime Minister Goryszewski:

—Goryszewski is an office-holder, Rokita is a creator.

—"An information group was formed in URM, made mainly of very young people, often former journalists from OBSERWATOR CODZIENNY," says Andrzej Anusz (Movement for the Republic), suggesting that Minister Rokita is building the whole behind-the-scenes power base very efficiently. "They have access to information, to reports from the voivodes, and they control a whole area of contacts between the

government and the local administrations. They can review the entire situation; therefore, they must have influence."

The structure is so secret that we have not even been able to learn who its director is. "I cannot tell you that," the woman in the office said to us.

In URM itself, there must be several levels of unofficial influence. Along with the chief, there is Prof. Jerzy Kozminski, now secretary of state and former right hand of Leszek Balcerowicz, a man from the famous Main School of Planning and Statistics (see interview with Adam Glapinski, SPOTKANIA No. 1/93), presumably a specialist on talks that are "difficult and require skill." His relationship with Balcerowicz is graphically described by Adam Glapinski: "Balcerowicz did not even go to the toilet without him."

Three Cardinals, One Capuchin

Directly from URM, the behind-the-scenes power trail leads to the Democratic Union (UD), where Bronislaw Geremek heads the list of those named for us. Geremek is one of the practitioners of quiet diplomacy (along with Najder), as well as one of the most influential people at this time (together with Wachowski and Rokita). In any case, the cooperation between Geremek and Rokita must be very intensive.

"It was precisely at the suggestion of Rokita that Bronislaw Geremek took a seat at the same table with Stefan Niesiolowski, and both of them gave assurances that nothing threatens the coalition, even though a couple of minutes earlier Niesiolowski was attacking the UD." One of our interviewees recalls this episode, which may attest to the undiminishing effectiveness of Professor Geremek in these types of behind-the-scenes actions.

Bronislaw Geremek, during the days of underground Solidarity, was the intellectual and strategic mainstay of Lech Walesa, and for those who saw Walesa as "a tool in the hands of advisers," personified this demonic adviser. More stereotypes grew with Geremek: Indeed, for those who saw Poland as the loser in the "roundtable compromise," it was he who was supposed to have been the chief architect of this compromise.

What is his position today? Aleksander Kwasniewski maintains that it is incomparably lower than in the previous term, when Geremek was something more than just someone who led people around and introduced them in his own party. Furthermore, his authority in Poland is certainly lower than in the West, particularly in France.

Janusz Korwin-Mikke deciphers the mystery of Geremek's high position in his own unconventional, as usual, way: "Freemasonry is enormously influential in our country. Unfortunately, mainly the Great East, meaning

the most left-wing. If you think Geremek was invited to the Sorbonne for no particular reason, you are mistaken."

The politicians grant Geremek many traits that predetermine him to the role of a power behind-the-scenes: "excellent for difficult moments," "puts people in their place," "a coordinator, has control over everything." Stories circulate about the obedience Geremek commands; for example, he is able, with the right glance, to make a politician as friendly to journalists as Jacek Kuron suddenly cut short an excessively effusive interview with a lady journalist and simply vanish.

The third person who plays a decisive and designing role in the Union, in addition to Rokita and Geremek, is Jan Litynski, a mathematician by training, "a big manipulator" by profession, as one of our informers called him: "Even during the KOR (Workers Defense Committee) days, his main occupation was to 'settle' various matters. And it still is."

To be consistent with our historical analogy, a politician of the measure of Geremek, Litynski, or Rokita would have to be assigned the role of Cardinal Richelieu himself, so the role of the trusted Capuchin could be played by Henryk Wujec, secretary of the UD parliamentary club. "Ant" (worker type)—this description has attached itself to him so strongly that we heard it from at least several people, and the following was added: "knows about everything—where, when, what," "can be relied upon," "what he does, he does thoroughly," "effective, but not impressive," "a very important person in the UD club, but not number-one."

Antipathy Among the Friendly

If we are talking about the connection of politics with capital, intuition leads us in the direction of the liberals, who very clearly display their probusiness sympathies; therefore, it is around them that we should look for business powers behind-the-scenes. Yet the person mentioned as someone who is consistently building his position in the second line is Andrzej Zarebski. His mediation abilities now serve mainly to tidy up the sometimes conflicting decisions and strivings of the leaders of the Liberal-Democratic Congress (KLD)—Donald Tusk and Jan Krzysztof Bielecki. This 37-year-old journalist from Gdansk, press spokesman in the Bielecki government and his man, "is able to talk with both Tusk and Lewandowski." He passed his test as power behind-the-scenes during the negotiations in forming Hanna Suchocka's government and the negotiations with Waldemar Pawlak. He prevented a row between Bielecki and Tusk, who at that time "began to say ugly things about each other."

Another figure with considerable influence in the KLD is Jacek Merkel, one of the legends of underground Solidarity, former minister of state in the Office of the President and now president of "Solidarity Chase D.T. Bank S.A." in Gdansk. To him, in turn, is ascribed the role of liaison between the Belweder and the parties that

were overthrowing the Jan Olszewski government. But Merkel's recent party colleague, Lech Mazewski (now in Polish Convention), warns against overstating his role: "That is a myth. Merkel does play some kind of role there, but it is not he who makes decisions. His misfortune is that Lech Walesa broke his spirit by knocking him from top positions several times—all the way to the bottom."

Power Is Money

Jacek Merkel, just as Senator Andrzej Celinski from the Democratic Union, pass as politicians connected with the sphere of business. The gentlemen eating breakfast in the Sejm restaurant speak with respect about Celinski: "He is present at every important reception. Senator Celinski has stopped practicing 'pure politics' in the parliamentary halls and offices. He is building his political capital as senator from Plock, where he brought about a considerable economic revival, including bringing in the Levi Strauss firm. He is consistently creating his image as a professional in economics."

Among parliament members who move about freely in business circles, the Nowy Sacz senator is mentioned: Krzysztof Pawlowski from the Christian-Democrat Party (PChD). Some say that he is a potential competitor to Deputy Prime Minister Laczkowski for the position of party leader. But the deputy premier's surroundings consist of other people. Among those connected with economics are Deputy Janusz Steinhoff, president of the Higher Mining Office, head of the PChD circle in the Polish Convention club.

"Steinhoff distributes matters connected with coal in Silesia," deputies say, making it understood that "coal," or influence on Silesian mining, is still a powerful trump card in the hands of a politician.

But the trump card of fundamental importance for behind-the-scenes power in many cases is the hand that rests on the finances. Such a figure in the PSL (Polish Peasant Party) is Janusz Roman Maksymiuk, chairman of the Main Council of the National Union of Farmers, Agricultural Circles, and Agricultural Organizations. This is an organization the PSL brought with it from the Polish People's Republic (PRL), with not only an imposing treasury but also an expanded territorial structure covering almost all of the small villages in the country. Maksymiuk himself does not display his political role. Anyway, former membership in the PZPR (the "circles" were automatically PZPR property) is probably not something to be flaunted, and Maksymiuk, as a private farmer and a graduate of an Agricultural Academy, is not a contender in parliamentary behind-the-scenes negotiations, which, in behalf of the peasant party members, are usually conducted by someone from the Pawlak-Zych-Luczak trio.

A similar behind-the-scenes power (for some time, with his ever-present cellular phone in his pocket) is in the ranks of social-democracy—Ireneusz Sekula.

"He does not practice politics but concerns himself with money," says Adam Glapinski. "He took himself out of the political game but is getting money ready for an elections campaign," says Andrzej Anusz.

The "club accountant" is what Deputy Barbara Rozycka, from the KPN (Confederation for an Independent Poland) is called; this is in connection with her position of assistant director of the weekly RAZEM. Her role in the KPN in some measure builds good contacts for her in the circles of the Warsaw Solidarity.

The Hands on the Right

There are several figures on the political scene who bring their present groupings a considerable number of benefits by reason of their old contacts, close friendships, and even family origin. We have already mentioned Olechowski's position. Prof. Witold Kozinski, former president of Geco Bank and a one-time PZPR member, has similar connections with the banking sphere. Hanna Gronkiewicz-Waltz groomed him for her right hand (he is officially first vice president).

"She had to find someone who was competent in banking practices," our informers said in justification of his position at the side of the lady president.

A person being "released" from the left side of the political scene to the right side, as Andrzej Anusz puts it, is Jozef Oleksy.

"He was in a seminary, knows Latin, comes from Nowy Sacz from a very religious family," Oleksy's qualifications are justified by Anusz, who himself is pretending to the role of power behind-the-scenes in the Movement for the Republic (RdR).

"Andrzej Anusz is the moving force of the RdR," says Glapinski of him. One of the young deputies (27), he has already gone through a considerable evolution because, in June 1989, he was one of the organizers of the Solidarity election campaign and earned a very high rating from Jacek Kuron. From the moment of the first crack in Center Accord (PC), as soon as the first differences between Olszewski and Kaczynski began to appear, he stood loyally at the side of the former and still holds that position.

The contact trump card is also held by Deputy Jan Krol from UD, a former PAX (Christian Social Association) member, in whom Glapinski sees the right hand of Bronislaw Geremek. Aleksander Kwasniewski, however, describes him as the leading specialist on economic matters in the Sejm, if, of course, we accept Kwasniewski's theory that there indeed exists in parliament something on the order of groups of leaders-specialists in various fields. Just as Krol in economic matters, the specialist on law construction is supposed to be Teresa Liszcz from the PC, and the master in matters of by-laws is Janusz Szymanski from the Union of Labor (UP). This classification into specialties puts all of them in positions of specific kinds of behind-the-scenes power.

It is interesting that Adam Glapinski makes the same kind of observations, but he mostly emphasizes the part that the SLD plays in this "professional group of experts," in which he includes Prof. Jozef Kaleta, Marek Borkowski ("very quick-witted"), and Jerzy Jaskiernia.

Falling Stars and Those Held in Reserve

The political scene does not stand still. Thus, in this engine room, not everyone keeps up with the pace of change. One person who dropped out of the role of foreman, let us call it, in this engine room is Jacek Kuron.

"Certainly, he does not play the role he played with Tadeusz Mazowiecki," says Jan Litynski. "At that time, he was the motor of the government. There would have been no politics under Mazowiecki without Kuron. Today it is more the minister of labor.

Litynski maintains that this is connected with the general situation in parliament: In this term, a decline in authority occurred. In the previous one, at least a few individuals were listened to. When Michnik, Niesiolowski, Geremek, and Kuron went to the podium, the deputies came back to their seats to listen. Today, if deputies assemble to hear the speeches of Korwin-Mikke or Antoni Czajka (Party X), it is more like for a cabaret. The complete decline in the authority of Leszek Moczulski is very characteristic; he is simply not there in the Sejm.

But reality does not endure a vacuum. Therefore, new, often young people are filling the places of the old authorities and contestants. A recent arrival from London (he was born there), almost a contemporary of Anusz in the RdR, is Ryszard Czarnecki, ZChN spokesman, who is appearing more and more frequently not only on television but also behind the scenes of big politics, where, until recently, such deputies as Lopuszanski or Jurek were expected. Another little-exhibited figure from the ZChN gallery is Wladzimierz Blajerski, presumably the main force behind the exclusion of Antoni Macierewicz from the ZChN, a controversial person in this party mainly because of his contacts with the Belweder. At present, Wladzimierz Blajerski is deputy minister of internal affairs, but it is said that he may be the successor to Jerzy Milewski as head of the National Security Office.

A separate category of behind-the-scenes powers are those figures held in reserve but to whom a great deal of influence is ascribed now and important roles to be played in the future.

Adam Glapinski predicts at least two comebacks. The first is Leszek Balcerowicz. "He is being held for another deal of the cards," says Glapinski, "and meanwhile is clearly being inflated through propaganda."

Next, Jan Litynski calls attention to the underrated position of Janusz Onyszkiewicz: "This is a type of

behind-the-scenes power, one of the most adroit politicians, who knows how to plan long-range actions quite accurately. He is a very important political leader but is exhibited very little," says Litynski, disputing the opinion of today's opponents to the Belweder, who maintain that Onyszkiewicz has turned the field over to Wachowski.

We have more such unconventional nominations. Jan Rulewski, for example, says that Aleksander Hall "sculpts the political scene, and in a very friendly fashion."

Many of our informers see behind-the-scenes powers in their own bosses: Wojciech Dobrzynski from the PC says that "the same strings that Bronislaw Geremek is pulling on one side, Jaroslaw Kaczynski is holding on the other." And Jan Rulewski notes that the place that Marian Krzaklewski squandered in Solidarity ("he had a great deal, he could talk to Suchocka at any time") is being filled with great momentum by Maciej Jankowski.

Further Behind but Expansive

From parliament, this is seen somewhat inexactly, but clearly enough to be able to talk about a certain generation of usually very young people, who, in the past few years, made a rather dazzling career for themselves in administration.

"The ministries are full of such people as Tomek Lis, young people, who, like Lis in the Ministry of Foreign Affairs, hold the entire cadre policy in their hands. Their careers are somewhat natural," says Jozef Orzel. "They came to the ministries into the lowest positions three years ago. When the broom of decommunization began to sweep, they easily jumped higher. All it took was intelligence and a basic orientation in the operations of the ministry. Today, many of them hold positions as department directors or even deputy ministers. Such a rising figure is Krzysztof Rey in the Ministry of Agriculture."

But can the governing of Poland, or at least the directing of their own institutions, be given over to this specific class of people? After all, the dictionary definition of "power behind-the-scene" is "directing a matter, an institution, a state, anonymously, in a conspiratorial manner, secretly." Not many people will move into the political scene as directors, according to our poll, although there is a large crop of pretenders.

One more comment, in conclusion. It is interesting that none of our informers, even among those who maintained that, in Poland, "the aspergillum rules," were able to point to a power behind-the-scene in church circles.... Therefore, is the aspergillum a myth, or is it real Capuchin mastery? We did not get an answer to that question.

* Polish Route for New Russia-Germany Gas Line

* Organization Described

93EP0213A Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 18 Mar 93 p 1

[Article by Danuta Walewska: "Gas Leak Into Poland at the Pipeline's End: The West Will Pay, the Russians Will Build, and the Poles Will Monitor"]

[Text] There is a chance that our problems with shipments of natural gas from Russia will end. In Warsaw, negotiations between representatives of Gazprom (the biggest Russian gas exporter), the Russian Ministry of Foreign Economic Relations, and the Polish Ministry of Industry and Trade are under way. They concern laying across Poland a gas pipeline running from Torzhok in Russia through Bialystok, Wloclawek, Frankfurt-am-Main, and, farther on, to West Europe.

Under the related agreement, we would receive, additionally—until the year 2010—14 billion cubic meters of gas annually, plus fees for the transit of gas across Polish territory. Under current plans, 76 cubic meters of gas are to flow through the pipeline, which would be 680 km long [across Poland alone] and 1,220-1,420 mm wide. The cost of that project is estimated at US\$3 billion, exclusive of the gas storage tanks.

According to the Gazprom chairman, Rem Vyakhirev, his company is also considering the alternative of laying that pipeline across Ukraine, the Czech Republic, and Slovakia. "But," he emphasized, "we can count, and we know which route is cheaper and faster. At any rate, should something go wrong in Poland, we already have Slovakia's consent. But it matters to us that the solution be also politically certain. Thus, we expect as soon as possible an explicit answer from the Polish Government. A project like this one will provide employment to many people and spur the economy. That is what you and we both need."

As we have learned, practically the last question still to be resolved is the participation of Russian workers in the construction on Polish territory. However, the entire construction project would be supervised by the Poles, specifically Polish Petroleum and Gas Corporation, which specializes in such investments. Similar pipelines have already been built with Polish participation on the territory of the former USSR. For projects of this kind, international safety standards are binding. Currently, the aggregate length of pipelines of this kind in Russia is 140,000 km.

The management of the entire project would be handled by a company that would be, as the Russians emphasize, formed in Poland and bound by Polish laws. Thus, if the final agreement is reached next week, the project could be launched early next year.

Financing this entire project would require loans, but, according to Russian assurances, that should be no

problem because the gas to flow through that pipeline has already practically been sold. In a situation in which this ecological fuel is increasingly popular while at the same time in short supply in West Europe, the money will be readily found. Significant gas suppliers can be counted practically on the fingers of one's hand: Algeria, Libya, Russia, the deposits in the North Sea, and—eventually—Iran.

Even if the outcome of our negotiations with the Russians is felicitous and, as Minister of Industry and Trade Waclaw Niewiarowski put it, "Some gas will leak to us," the shipments of Russian natural gas, of which we import at present nearly 7 billion cubic meters annually, will not entirely solve our supply problem. An alternative source, as in the case of crude petroleum—namely, the North Sea deposits—continues to be considered. Minister Niewiarowski said that, in the year 2010, if the Polish economy continues to grow, we shall need 35 billion cubic meters of natural gas. In West Europe, natural gas at present meets 30 percent of the energy demand, whereas we dream of having it meet 25 percent of our demand.

* Letter of Intent Signed

93EP0213B Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 20-21 Mar 93 p 1

[Article by D.W.: "Gas for Transit: The Contract of the Century"]

[Text] The segment of the new Russia-Poland-Germany gas pipeline running across our country will be 670 km long, and this unlocks to our country improved prospects for meeting not just our current energy demand in this field but also our future one. At the same time, irrespective of that project, other alternative sources of future gas supply for Poland are being explored.

The letter of intent signed last Friday, whose details were agreed upon during three days of negotiations in Warsaw (we had reported on them two days ago), has not defined, however, the rights to ownership of the pipeline, which will run across several countries. All that is known is that the Russian side agreed to having the pipeline laid on Polish territory by Polish contractors and not, as it had demanded earlier, by Russian crews. To our side, it is important that the pipeline run across the Polish regions in which structural unemployment exists; its construction will provide employment to many people who are currently unemployed.

The new deposits on the Arctic Yamal Peninsula, from which gas is to flow, have not yet been developed. Extraction is planned to begin in 1997. These deposits are expected to yield 180 to 200 billion cubic meters of natural gas annually. Of that total, Poland is to receive 11 billion cubic meters annually via "our" segment of the pipeline and, once full extractive capacity is reached, 14 billion cubic meters.

However, the agreements signed will not, even if implemented, entirely resolve our gas supply problems. That is because, in the year 2010, our demand will exceed 30 billion cubic meters of natural gas. That is why, as in the case of crude petroleum, alternative supply sources continue to be explored. Even now, our gas supply problem has not been entirely resolved, either, but, for the time being, the flow of natural gas to Poland continues to be smooth.

* **CUP Traces Joint-Venture Growth in 1990-92**

93EP0218A Warsaw RYNKI ZAGRANICZNE in Polish No 35, 23 Mar 93 p 8

[Article by (H.J.) : "There Are Already 8,977 Joint Ventures in Poland"]

[Text] The Central Planning Administration [CUP] has evaluated the course of privatization and changes in the organizational structure of economic units in the productive sphere over three years of market-economy formation in Poland.

In 1990-92, the number of economic units in the private sector doubled, while the number of units in the public sector dropped 23 percent. The group of economic units connected with a market economy—State Treasury ventures, corporations, and private enterprises—showed a marked tendency to increase in number.

During the period described, a real explosion of joint ventures with foreign participation took place. Their number increased from 396 to 8,977 units. This increase was universal, occurring in all voivodeships. Nationwide, this was an increase of 22 times; in individual voivodeships, the increase ranged from four to 56 times.

Distribution of joint ventures is characterized by a high concentration in provinces connected to the largest urban agglomerations. One should note the level of concentration of joint ventures in the Warsaw voivodeship: 2,960 joint ventures.

Incidentally, we can add that other private ventures increased from 10,420 to 51,798.

In addition, the number of enterprises led by private individuals doubled in this period. CUP notes also that the elimination of ineffective economic units—through firm bankruptcies and repair-and-liquidation actions—has increased since 1990. On the other hand, division of state enterprises has decreased.

* **Role of Agency for Industrial Development**

93EP0211C Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 12 Mar 93 p III

[Article by Anna Wielopolska: "Bank or Cash Box: Agency for Industrial Development"]

[Text] The Agency for Industrial Development was formed to aid in the systemic changes in the inefficient, state industrial economy. The agency was to perform a creative role. In reality, immediately after its legalization, it was reduced to an instrumental role. It functions as an intermediate form—an easy bank or a difficult cash box—that the minister of industry uses in emergencies.

In 1992, profits from the operations of the agency, which has 2 trillion zlotys [Z] in assets, were Z300 billion (auditors have yet to verify this sum). The agency carried out six sectoral studies and 12 restructuring programs, including four group programs; it signed 63 contracts for diagnostic work, restructuring programs, the evaluation of assets, legal reports, and financial reports, for a total of more than 3 million ECU's [European Currency Units].

In comparison with 1991, in view of the above data, the agency operations can be considered effective. On the other hand, the very general charter of the agency prevents any genuine evaluation.

A Ministerial Fund

The agency was formed by transforming the former Fund for Structural Changes in Industry at the beginning of 1991. The fund, which was supported by contributions from state enterprises, found itself on the list of quasi-budget institutions to be liquidated. The operations of the fund were criticized; however, the Ministry of Industry and Trade decided to form an institution of a similar character. The agency took over the task of the Fund.

It was decided to establish the agency as a stock company of the State Treasury. Nearly Z2 trillion of the Fund was transferred as the founding capital of the agency. Simultaneously, the Polish Development Bank, an institution with tasks similar to those of the agency, was formed from the state budget surplus at that time (a total of about Z5 trillion). The Polish Development Bank, an investment bank, could not undertake tasks with elevated risk levels. The Agency, which was not burdened with banking responsibilities, could. The minister of industry became the representative of the interests of the State Treasury.

Such a legal structure, however, caused serious problems. The dependence of the president of the agency exclusively on the head of the ministry led to a rotation in the position in tandem with the rotation of ministers. Since the formation of the agency, it has had three presidents; the longest-serving one, for more than a year, is the current one, Arkadiusz Krezel.

The consequences are more far-reaching than the personnel problems. The lack of a precisely defined task for the agency turns its role into implementing goals laid out by the minister. These, especially during the past dozen or so months, have been the joint resultant of strikes, union pressures, and attempts to restructure what is collapsing.

The Most Difficult Cases

The agency's operations generally fall within three areas. The Department of Restructuring deals with evaluations and verifications of programs for particular enterprises. It analyzes the risk of an investment to be made. The Department of Liquidating Restructuring handles all liquidations of enterprises. The third department, Capital Investments, exercises supervision over the roughly 40 enterprises the agency owns.

President Krezel admits that the agency gets the most difficult programs for the most difficult enterprises. This means that the agency intervenes in enterprises where the situation is already dramatic and the solutions must be drastic.

The agency saves such enterprises from bankruptcy by lending them money. These loans are the cheapest in Poland (6 percent above the refinancing rate; at most, 44 percent). They are also "easy" loans, certainly much easier to get than bank loans. The system for giving them is also much more efficient, which saves time. The agency does not demand as much detailed documentation and analysis or as many guarantees as a bank does, especially because it provides the guarantees itself. And that is the third way it helps failing Polish industry, in addition to providing loans and executing liquidations.

Too Little Money

According to President Krezel, the monies the agency has are not enough to bring about systemic change. In addition to the Z2 trillion in budget assets, the agency has some additional resources from the PHARE [Economic Reconstruction Aid for Poland and Hungary] program (13 million ECU's) of the World Bank and resources from the British Know-How Fund.

In 1992, the agency provided financial aid to 27 enterprises; it refused 75 applications. The total of loans provided and guarantees given was Z305 billion, equal to the final level of agency profits.

The monies were chiefly used to implement programs directed toward increasing production for the domestic market, increasing export production, changing production technologies, and starting production of new items. According to these criteria, the factories in Jelcz and Starachowice, for example, made the list of borrowers, with loans that average Z20 billion for the production of new types of buses and trucks, as did the Mielec Transportation Equipment Factory, which is to begin production in the free-trade zone planned by Minister Niewiarowski.

The Grants Have Ended

President Krezel says that the basis for agency policy is the plan for a state industrial policy adopted by the Council of Ministers in 1992. He also notes that the agency is in the operational sphere and not in the strategic one. The times have past, according to the

president, when the agency was treated as a source for emergency grants. In 1992, the president says, only in one case did the agency provide a loan for wages. The only doubtful investment during the period is the nearly Z7 billion for the Northern Shipyard. The agency is satisfied with the rest.

The liquidation of enterprises is a separate area of agency operations. This most difficult portion has included 28 enterprises in all since the agency was founded; of them, 20 were begun during the first half of 1992. Among all the liquidated enterprises, leasing or sale was used for only two; four [as published] enterprises have assets above Z100 billion (Lodz Wifama Z330 billion, and Skogar Z230 billion); 20 have assets in the average sector of less than Z100 billion in assets; and four have less. In six cases, motions for bankruptcy were sent to the courts; four ended with declarations of bankruptcy.

Thus, the question arises how the agency earned a profit on the order of Z300 billion. President Krezel says that it is a result of work with the enterprises, reconciliation actions, but mostly the interest from loans provided and guarantees, for example, for Bumar Labeda and Jelcz. Bad debts in 1992 amounted to approximately Z120 billion, termed extraordinary losses. Loans given to such plants as the Gorzow Prefabet, Warsaw Cemi, Piaseczno Lamina, and the Jelenia Gora Paper Plants were among the losses written off.

President Krezel admits, however, that the debt payment heaven by enterprises ended suddenly in October. Work on the debt reduction law caused the majority of enterprises to count on automatic solutions to their problems. Meanwhile, the entire capital of the agency remains in loan circulation (about Z2 trillion), and the ideal of maintaining a stable firm while earmarking two-thirds for investment and one-third for reserves has never been achieved.

The agency also frequently takes positions in transformed enterprises. From the beginning, it has had natural positions in four banks (the State Agricultural Bank, the Bank for Managerial-Economic Initiatives, the First Polish American Bank in Krakow, and the Warsaw Western Bank—also, until recently, the Lodz Development Bank). By engaging its capital in privatized enterprises, it has gained positions in the Warsaw Lucchini Works and the Walbrzych Ksiaz firm.

Another item in the agency operations is investment in training employees. Training is done abroad in financial institutions with worldwide reputations. The problem is that the agency-trained employees gain particular value on the labor market, which the competitors immediately exploit. Thus, in addition to bad debts and investments, the agency can note the loss of investments in the outflow of its human capital.

*** Army Shows Opportunities for Polish Businessmen**

93EP0218B Warsaw ZYCIE WARSZAWY in Polish
12 Mar 93 p 4

[Article by Zbigniew Zborowski: "Business Between the Army and Business: Polish Businessmen Want To Trade With the Army"]

[Text] For the first time since before the war, a Polish Army unit was visited by native businessmen. After completing a course for T-72 tank drivers and a shooting competition, 11 members of the Business Center Club (BCC) decided that one can do good business with the Army.

The entrepreneurs met with Army officers on the practice range in Orzysz. An Mi-8 helicopter brought, among others, Marek Goliszewski, chairman of the BCC; Witold Zaraska, chairman of Exbud; Andrzej Zawislak, chairman of the East-West Society; and Jerzy Zielinski, director of Metalexport.

The goal of the meeting was to establish cooperation between the Army and Polish private capital. The Army is ready to buy portable communication devices, computer systems and programs (among others, those that simulate battlefield situations), and food that can be stored for a long time.

The members of the BCC, a club that has about 500 firms and a thousand entrepreneurs, are very interested in cooperation with the Army. The businessmen decided that they would provide food and clothing for the Army and would participate in forming its infrastructure (for example, in constructing barracks).

The businessmen plan to ask several banks to give credits to the Army. They will also try to find domestic producers that will offer products at prices attractive to the Army.

According to Major Mariusz Jedrzejko, spokesman for the Warsaw Force District, it is quite common also in NATO countries for the Army to cooperate with businessmen.

*** Union of Banks Meets; Results, Goals Reported**

93EP0211A Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 12 Mar 93 p VI

[Article by A.H.B.: "To Each Alike: General Assembly of the Union of Polish Banks"]

[Text] At the end of its second day, the third general assembly of the Union of Polish Banks adopted a resolution that calls for all banks in which the State Treasury holds a majority ownership to be included in the law on the financial restructuring of enterprises and banks. Further, the union board was required to take a series of actions to enrich and regulate the banking market.

The second day of deliberations included, among other things, an evaluation of the reputation of banks in society. Forms of cooperation with the press were considered, and experiences in this area were shared. Besides bankers, representatives of three firms that do survey research participated in the meeting.

The bankers also demanded a unified position on the question of taxing reserves for irregular payments due for 1991-92 that cannot be the object of multiple interpretations. Changes in the charter of the Union of Polish Banks that make full participation of all foreign banks possible were also discussed. They also proposed making the position of the National Bank of Poland regarding providing lombard loans to banks more elastic, and making changes in the criminal law defining the limits of civil liability for decisions made by bankers in providing loans.

During the meeting, the bankers gave a positive grade to the board of the Union of Polish Bankers for implementing the program tasks adopted at the previous general assembly.

The bankers are for developing a more comprehensible law on their area of activity. This applies to, among other things, the following legal acts: regulating loan operations, including guaranteed loans and the recovery of debts; the banking and convertible-currency law; and deposit insurance laws. They also recommended decisions to call for the development of a package of regulations permitting the development of noncash operations.

In the area of cooperation among banks, the bankers are also calling for ambitious tasks. One of them is to begin work on creating a system of insurance against risk in banking operations, including the details of deposit insurance, insurance for loan payments, and the recovery of debts. Further, the bankers intend to begin work on equal legal treatment of all banks by the banking supervisors and the state authorities.

The other goals are:

- Supporting development of a dated-debt market and the organization of a market for dated-debt operations.
- Developing the structures and organizing a central register of liens.
- Creating a central register for reserved documents used in banking operations.

As regards internal bank matters, one should expect the development of a proposal for a model set of regulations for working in a bank and a proposal for a code of ethics for bank employees in the near future.

The bankers also want to cooperate with the appropriate institutions in creating a system of additional retirement benefits and health insurance for the employees in this profession.

*** Misleading Aspects of Statistical Analysis**

93EP0211B Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 15 Mar 93 p III

[Article by Antoni Kowalik: "The Crooked Mirror of Statistics: Costs and Earnings of Enterprises"]

[Text] "The evaluation of the financial condition of enterprises is inappropriate, and the conclusions drawn from it are deceiving. The indexes of the level of costs, earnings, and profitability should be calculated differently, eliminating from them what is eclipsing the actual financial condition of economic units," says Jozef Chmiel, of the Office for Statistical and Economic Research of the Central Office of Statistics and the Polish Academy of Sciences.

The problem is that, on the one hand, the recently growing rate of sales appears to show the gradual end of the recession; on the other, however, the indexes of the level of costs and earnings show a worsening of efficiency and of the financial situation of enterprises. This means that the increase in sales is not growing in tandem with an increase in efficiency; thus, it cannot last. When the evaluation of the efficiency of enterprises is not fully objective, it is hard to judge whether the conclusions are appropriate.

Do Not Count Twice

The method for calculating the level of costs is the first reason the current evaluation of the financial condition of enterprises, including the evaluation of the Central Office of Statistics, is controversial. It prevents an unambiguous interpretation of the index because its value depends on the proportion of the division of the surplus of incomes over costs between the state budget and the enterprise.

A decline in costs defined in this way as a portion of total income is beneficial from the enterprise's point of view; from the point of view of the state's interests, however, only an increase is beneficial because the turnover tax is included in the costs. If the rate for this tax increases then, without any other changes, the index of costs increases. Depending on the point of view, this increase can be considered positive or negative.

This index, as the author claims, should not express the interests of the enterprise (profitability does this) but should unambiguously reveal the ability of the economy to produce a surplus above costs, regardless of the proportion of the division of this surplus between the budget and the enterprise. Then every increase could be judged negative in an unambiguous way. Thus, the current way of calculating the index of the level of costs used by the Central Office of Statistics should be modified.

First, this calculation should not include the turnover tax because it can be treated as a cost to the enterprise. It is only a component of this part of the surplus that is transferred by the enterprise to the budget. Second, one

should eliminate the double counting of certain elements of the surplus or costs from the formula used by the Central Office of Statistics.

These items include subsidies, for example, which are only a portion of the surplus generated in some enterprises and which are transferred through the budget to other enterprises. Dividends and interest from loans should be treated in the same way; this again applies only to the redistribution of previously generated surpluses between enterprises and not to the absolute increase of the surplus. Similarly, income from and costs incurred for the sale of unused assets and long-term commercial paper (financed from profits) should be handled in this way. Secondary sales of elements of assets also do not create a surplus at the national level. The income in one enterprise from such a sale is equivalent to a reduction of the surplus in another, the buyer.

It turns out that an index of the level of costs modified in this way differs significantly from the index used by the Central Office of Statistics. Thus, for example, while the traditional calculation for the entire economy for the 11 months of 1992 indicates an increase in the level of costs by 1.8 percent, according to the modified index, these costs decreased by 1.1 percent. This would indicate increasing enterprise efficiency thought of as the ability to produce a surplus of income over costs regardless of how it was later divided. An increase in labor productivity is responsible for this increase in industrial efficiency; this increase reduced the value of the index of the level of costs in spite of increased prices for energy, fuels, raw materials, and materials. It argues that the growth trend in sales observed in industry in 1992 may be lasting.

Reconsidering Earnings

A second proposal for modification concerns the way earnings are calculated. This index, unlike the level of costs, should reflect the actual situation of the enterprises and not the incomes and costs at the national level. Thus, here one should include components eliminated in the calculation of the level of costs; for example, subsidies, from the point of view of the enterprise, are actually income, as are the balance of interest payments from the loans made and taken. However, one should eliminate the turnover tax, currently included by the Central Office of Statistics, because this tax is not a cost in the sense of outlays essential to achieving a particular gross profit.

Incomes and costs from the sales of components of assets should also be eliminated from the index of earnings. These costs were incurred most frequently before the beginning of the period for which earnings are being calculated, and the stream of costs and incomes relating to the same period are needed for a correct calculation of the economic indexes.

It turned out that earnings in several sectors of the national economy calculated according to this modified

model do not differ significantly from the index calculated by the traditional method. However, the decline in the values of the modified values is smaller than the comparable indexes calculated by the Central Office of Statistics in both absolute terms and rates. While earnings in the entire economy for the 11 months of 1992 declined in relation to the previous period by 1.2 percent, according to the Central Office of Statistics, for example, according to the new index, the decline was only 0.8 percent.

Supplement With Other Income

The third index to be modified is obviously income. Its current construction is mistaken because all of the income and cost streams included in it do not apply to the same period. In determining the balance of net profits and losses, one takes into account on the cost side the costs of sales of elements of the assets (assets sold were usually bought before the given period for which one is calculating earnings). Income from the sales of assets is a real cash income, while the cost is only an accounting unit. Enterprises usually incur the expenses associated with the purchase much earlier. A firm with a negative index of profitability, one systematically producing losses, does not go bankrupt but saves itself by selling assets.

Thus, sales of assets should be eliminated in calculating profitability. Besides this index, one should calculate an index of income—in the calculation of net profits supplemented by the costs of purchases incurred in the past for assets sold today. It would reflect the actual net income in relation to total income. Only this index, considered together with the modified index of profitability, would provide a complete picture of the financial situation of the enterprises after the payment of taxes. It would, together with the new index of the level of costs and earnings, create a set of indexes, making possible an evaluation of the economic situation of enterprises beginning with the generation of a full surplus through the successive stages of its division.

These indexes calculated for the three quarters of 1992 would show a positive trend in the area of enterprise finances. They show that the capacity of the economy to produce a surplus of incomes over costs increased, that the tax burdens on enterprises are declining relatively, and that the process of reallocating capital has intensified, which should contribute to increasing the efficiency of its use.

[Box, p III]

Jozef Chmiel's study was published in the series "Ekspertyzy i notatki [Experts' Reports and Notes]" (Volume IV) of the Institute for Statistical and Economic Research of the Central Office of Statistics and the Polish Academy of Sciences.

* Value-Added Tax Specifics Provided

93EP0218C Warsaw RYNKI ZAGRANICZNE in Polish No 32, 16 Mar 93 p 6

[Article by Grazyna Kapelko: "VAT and Excise Instead of a Turnover Tax"]

[Text] Starting on 5 July, a tax on goods and services, commonly called VAT [value-added tax], and an excise tax will be required in Poland in place of today's turnover tax. This will occur as a result of the law on a tax on goods and services and excise tax (LEGAL GAZETTE No. 11 of 15 February 1993).

The most important characteristics of the VAT are:

- **Universality:** Everyone has to pay it, regardless of legal form or type of ownership.
- **Multiphase:** The tax will be collected on all levels of turnover—production, import, and wholesale and retail transactions.
- **Deductability:** The ability to deduct, during the purchase of goods and services, the tax reckoned during earlier phases of turnover from the amount owed.

The base for taxation will be the price of sale reduced by the amount of tax money devolved from the sale. For imports, the base for taxation will be the custom value increased by the duty.

During payments of any duty, the price of the goods and the amount of tax will be given on the invoice. To be able to calculate the tax, one should first calculate the amount of turnover by adding all earnings from sales (of goods, services, or advertising). Here the amount of tax is not taken under consideration. Next, the taxpayer will count the amount of all taxes paid during the purchase of goods and services in the same calculation period. The difference between the amount calculated from the value of the sale and the amount of tax money paid during purchase of the goods and services will be the amount that should be paid to the state treasury.

Currently, the turnover tax is paid only at the level of the producer of the final product, and the entire supply turnover is untaxed. When the VAT is introduced, the producer will have to pay the tax at the time of purchase of goods and services needed for production. According to the rule of deductability, he will be able to later subtract the tax paid, but, at the beginning, he must have money enough to purchase raw materials and services, in the price of which the tax will be included.

Tax Rates

The basic rate of the goods and services tax will be 22 percent. It is one of the highest European rates; in the European Community, it ranges between 14 and 22 percent. Besides the basic rate, a preference rate of 7 percent was established.

The preference rate will be applied to the purchase of some articles for agricultural production (including commercial fertilizers, feed, pesticides, machinery, and agricultural tools and machinery), articles for children, and goods connected with health care, such as medicine. In all, Appendix 3 includes 50 items. The law also offers the 7 percent rate to some services, including the transport of persons by trains, road vehicles, water, and air carriage (taxi excluded); telephone and radio-communication services; and tourist and recreation services (four- and five-star hotels excluded).

In addition, electric and heat energy, gas fuels, and coal will be taxed at the 7 percent preference rate through 30 July 1994. This includes the services related to these items (Appendix 4).

This decision was caused by fear that the immediate introduction of the basic 22-percent rate would cause too great a price shock. During a transition period, to 31 December 1995, the preference rate will also include, besides energy materials, about 50 items of building materials (Appendix 5).

The law also provides for a special zero rate for the export of goods and services. In practice, this means that the exporter will get back the tax money paid in previous phases of the turnover. In addition, the law provides for the minister of finance to introduce the preference zero rate temporarily for some of the goods and services that are taxed at the 7-percent rate (for example, farm machinery, feed, medicine, and so forth). Besides export, the law provides a list of products (Appendix 1) and services (Appendix 2) that are tax free. These are mostly low-processed agricultural products and related services, and some services of a sociocultural character.

Excise

Along with the VAT, some goods will also be taxed with an excise tax. The rates for the excise tax will be established by the minister of finance. The law defined only maximum rates:

- On domestic spirits products: 95 percent of the sale price.
- On domestic fuel, wine, beer, other alcoholic beverages, and tobacco products: 65 percent of the sale price. For imports of the same: 190 percent of the customs value increased by duty.
- On all other domestic excise products: 25 percent of the sale price; for imported products: 40 percent of custom value increased by duty.

Item	Systematic Product List Symbol	Name of Product or Product Group
1	0242-2	Engine fuel
2	0243	Lubricant and special oils
3	0675-991 to -999	Gas weapons

4	0844-9	Apparatuses for conducting games of chance and mutual bets: roulettes and roulette tables; tables for card games; slot machines; lottery machines and devices; electronic gaming devices and machines
5	1021, 1022	Personal automobiles
6	1055-1	Ocean yachts
7	1153	High-quality electronic equipment and video cameras
8	1212	Salt
9	1324-4, -5, -6, and -9	Beauty products and perfume products
10	1761	Matches
11	1829-13	Playing cards, except for children's playing cards
12	2215-2	Dressed furs from rare animals and products made from such furs
13	244	Products of the spirits and yeast industries, with the exception of yeast (Symbol 2445)
14	247	Wine products
15	2483	Beer
16	2519-7	Chewing gum
17	2552	Tobacco products
18	Regardless of symbol	Sailboats, motorboats, boats adaptable to motors (made of wood, artificial materials, and other materials), except for fishing boats, work boats, and rescue boats
19	Regardless of symbol	All other alcoholic drinks of more than 1.5-percent alcohol

The excise will be paid by producers and importers of excise products. Unlike the VAT, they will not be able to deduct the excise from the tax, which they will have to pay to the state treasury.

Though the law on the VAT and excise tax will be in effect starting 5 July 1993, every taxpayer subject to this taxation must remember two more dates: 31 March 1993, the due date for sending the registration form to the appropriate treasury office, and 21 March 1993, when the taxpayer will receive confirmation that he was registered and received an identification number. By that time, every taxpayer will become acquainted with all remaining executive regulations of the law.

It is worth remembering that only a registered taxpayer will have the right to direct and indirect tax deductions. But an unregistered taxpayer is still a taxpayer. By registering, one can only profit.

The main idea in introducing the VAT is to create a multiphase modern taxation system in Poland.

The application of the long-awaited VAT, together with the tax from private individuals, which has been required since 1 January 1992, will complete the tax reforms in Poland.

* Problems of Intellectual Property Protection

93EP02164 Krakow *TYGODNIK POWSZECHNY* in Polish No 13, 28 Mar 93 p 7

[Article by Witold Beres: "Ill-Gotten Gains Do Not Prosper?"]

[Text] Dire Straits, the celebrated rock group, canceled its tour of Poland after the manager informed its members about the situation on the Polish musical market, where not only do pirated recordings reign supreme but their quality is also disastrous. Despite the existence of approximately 1,000 publishing houses, book pirates are also operating: Jaroslaw Kurski's *Wodz* [Leader] was printed at almost the same time in an "underground" publishing house. The police, it is true, have waged war on video pirates, and permanent videocassette stalls have been eliminated (hundreds of dealers were arrested, hundreds of thousands of cassettes were seized, and small film-copying shops were closed), but, even so, it seems that street sales are not still being made and the police are not able to cope with them. According to estimates, the daily income from street sales of videocassettes amounts to about a million zlotys [Z]. Audiocassettes recorded in Polish pirate studios caused the collapse of the Swedish recording market: The latest recordings, although not of the highest technical quality, can be bought in Sweden for Z15,000—that is, one-fifth of what the licensed recordings cost. As a result, the Swedes would like to cooperate with the Polish police in fighting this, but Polish regulations make it impossible. Recently, Kazik Staszewski, one of Poland's biggest rock stars, announced that last year alone he lost approximately Z1 billion due him in royalties as a result of pirate recordings. And so on, and so on...

The fact that Poland is a complete jungle insofar as observance of copyright laws is concerned, or, more correctly, observance of rights to intellectual property, is known to all. But the fact is that, although everyone knows *something*, there is a great deal of confusion in this knowledge.

Piracy is two situations. The first is one in which protection of intellectual property is possible, but the law is being violated—here we are dealing with literal piracy. The second situation is one in which pirates are taking advantage of loopholes in the law. In Poland, the second is particularly evident and galling. And, although Western producers are able to understand that we simply have a great deal of crime, it is difficult for them to reconcile themselves to a situation in which the law does not befit the latest requirements of the Western world.

According to legal language, the essence of both types of piracy lies in differentiating between copyright laws and related laws (impinging on copyright laws). In our country, the former are guaranteed on the basis of the Bern Convention, signed by Poland, on copyright protection, and on the basis of the 1952 law on copyrights. But today, legislation in Poland and, in any case, in practically all countries, is faced with the incredible progress being made in the technologies of all types of carriers: Actually, under almost any conditions, any work can be duplicated many times over—and this duplication will be of very good quality—including books, videocassettes, audiocassettes, and compact disks. The problem of piracy that emerged from this has made it necessary to pass a special law: antipiracy regulations.

This was indispensable, particularly in those countries in which there is a market economy, where culture is big business. In those countries, defense against dishonest activities depends on the application of a concept called "related rights." Although they are similar to copyrights in the sense that they protect the people and organizations concerned with the distribution of works, they are basically different in that they place emphasis on the outlays made not so much for production as for reproduction (in the case of performers) and for organizational and financial (in the case of producers of audio and video recordings) purposes. Audio—recording sound coming from a performance; video—recording the images.

In this way, the person or organization bearing certain costs and taking a certain investment risk is guaranteed exclusive rights. Frequently, pirates issue a recording of a work on which the copyright has expired, but its greatest value is in the performance, and, thus far, this has not been afforded protection. Thanks to this, almost all of Mozart, for example, can be reproduced, replaying it from performances pressed by other producers.

That is exactly what the majority of these types of offenses, committed herefore on the Polish audiovisual market, are. It is in this area that protection of the rights of performers and producers is still lacking. Not until the past three years has there been wide discussion on the draft law, "On the Copyright Law and Related Laws", which is supposed to close this loophole. Unfortunately, three years have passed, and, although the draft is ready, it is still hard to say when the Sejm will pass it.

How Could the War Have Been Waged in the Past?

Contrary to what is generally believed and, despite obvious legal loopholes, the war with pirates could have been fought in Poland a long time ago.

"As regards the publication of books and other printed matter, or, for example, sound recordings, we unquestionably were dealing with a situation in which copyrights should have been respected. And there was no legal loophole because the law already in existence clearly stated that, without the permission of the author,

no materials carriers could be duplicated, or, to put it simply, works could not be reproduced. Therefore, although the absence of a specific law made it impossible to protect the producer or the performer, it was possible, on the basis of regulations prohibiting the violation of copyrights, to prosecute people who were illegally copying audiocassettes, videocassettes, any kind of printed materials, and even computer programs," says Dr. Elzbieta Traple, lecturer in the Department of Civil Law at Jagiellonian University, a specialist in copyright law.

Naturally, a war with pirates based on copyrights was possible at that time only if the author of the pirated, duplicated, and distributed work was known. Thus, for example, only contemporary musical works were affected, and then only when a given musical group was also the creator of the music and the lyrics.

According to many experts, it was also possible to fight piracy of computer programs on the basis of the copyright law. Naturally, the 1952 law did not contain a single word about computers, but perhaps it would have been possible to protect the authors of software on the basis of protection to literary works. Unfortunately, no one filed such a precedent-setting suit against anyone. Anyway, this is somewhat understandable because the costs would have been great, and, because there were no pertinent regulations, the results of such a suit would have been uncertain—which a good lawyer probably always figured. But it is entirely possible that a large firm could have won a spectacular case. That is what happened in the West, where, after all, old laws did not provide for the protection of software. It was there that the courts early on began to bring computer programs under the protection of copyright laws, and only later was this ratified by changes in legislation.

Because some claims, regardless of legal basis, can always be investigated, it was possible then (and is today, as long as the 1952 law is in effect) to fight the pirates for other reasons. For example, certain possibilities, not being exploited, lie in the law on combating dishonest competition. But, in this case, it would be much harder to conduct an evidentiary proceeding in order to lay the basis for a claim and determine the illegality of the behavior. The relatively most simple case is the pirated videocassette recording. First, according to the copyright law, both the director and the producer could pass as the author of the film. Second, distribution of pirated videocassettes is punishable in Poland due to violation of the law on cinematography, which provides a penalty for the production, distribution, or any another processing of films without permission. And, third, film producers, to protect their interests, formed RAPiD (Council of Authors, Producers, and Distributors). RAPiD, cooperating closely with the police, could prosecute video pirates by employing a normal civil procedure.

There is also an organization formed to defend authors' rights—ZAIKS (Union of Actors and Theatrical Composers). But the problem is that it protects only the rights

of authors, and not the rights of producers or performers. Therefore, it happens sometimes that producers accuse ZAIKS of granting licenses contrary to the law and engaging in pirating activity.

Furthermore, this is only one organization, and it is not able to cope with everything.

The official granting of even the best legal instruments is not enough if practical conditions are not created so that ownership rights can be investigated.

The New Law and Practical Possibilities

What is the basic difficulty in the efficient prosecution of intellectual piracy? Dr. Elzbieta Traple maintains that "it is important that there be special units or organizations that are able to investigate the rights of an author, producer, or performer to determine if he is being violated. After all, it is hard to expect that an author, or even a serious producer, will walk the streets to determine if copies of something he owns are being sold legally, and them to file a lawsuit himself. No one has either the time, the desire, or the ability to do this. Only a special organization can concern itself with this, one that protects the rights of these people or organizations and prosecutes the pirates. The draft of the new law introduces a large number of copyright law organizations and allows for the formation of organizations to protect performers and producers of sound recordings."

(In any case, any day now, at the initiative of the Stary Teatr [Old Theater] actors and university lawyers, an organization called STO PRAW (Association for the Protection of the Rights of Authors and Performers) will be registered in Krakow, the first of its type in Poland.)

The draft of the law provides for a few other, equally important, innovations. For example, the author is given the right to obtain information as to the number of copies of his work the producer has produced and where they are being distributed. The customs offices are also being given the authority to confiscate copies that violate the author's rights. The court is given "fast-track" powers to safeguard proof of the offense (cassettes, disks, printed matter, and so forth), plus a whole series of these types of decisions facilitating evidentiary proceedings.

The plan to form a special "authors police," made up of experts in copyright law and pertinent officials to prosecute piracy offenses, is especially interesting. If this is controversial, it is because, in the West, where piracy, too, is a significant element of economic life, it is prosecuted much more consistently with the help of the ordinary police.

Dr. Elzbieta Traple: "How prosecution of piracy will go will depend in large measure on the various executive regulations (pertaining, for example, to the police and what form they take). The planned regulation, which creates the assumption that, if the materials carrier does not bear the name of the producer and where he is located this is a pirated copy, may also be helpful. This

may greatly facilitate the evidentiary proceeding: The burden of proof will be shifted, and the person accused of violating the copyright must prove that he has the right to produce the copy.

This is due to the fact that, although the regulations create the basis for action, the activeness of the involved person is always most important; anyway, that is how the civil law is designed, on the presumption that no one will file a suit in behalf of the person wronged, unless it is a special organization. But even then it will appear in his name because the copyright law and related laws never are in the domain of public law but of private law, where one must claim his own rights himself. In any case, it was like that in the past, also. There may have been fewer legal instruments, but, still, everything depended on the activeness of the person involved."

Dictates of Washington, or Do We Need This?

Because Poland at the moment has no law on protection of related rights, in the legal sense, we do not have this type of piracy, and many politicians find comfort in this argument. An additional vote "in favor" may for some be the fact that Poland is not the only one that has not ratified the 1961 "Rome convention" on the protection of the rights of artists, performers, and producers of sound recordings. At this time, this convention covers only 40 countries in the whole world, and, for example, France did not join until 1987. But this does not change the fact that this is the tendency in the legislatures of the developed countries, and, if the Polish market wants to compete on the West European markets, it must meet their requirements. The opinions that the domestic economic organizations that utilize the works cannot afford the large expenditures connected with full intellectual protection are characteristic. This is particularly important perhaps not so much in the case of pirated cassettes as, for example, in the case of computer programs. But if there is no piracy in Poland in the legal sense, it certainly exists in the moral sense.

Fortunately, as usual, big politics decides. On 21 March 1990, Prime Minister Mazowiecki and President Bush signed a treaty on trade and economic relations between the Republic of Poland and the United States. This treaty (already ratified) provides that the duration of the

copyright law shall be extended to 50 years after the death of the author. Patent protection will be extended to 20 years, and technology for the production of medicines will be given special protection. Almost two-thirds of the treaty already ratified by Poland is devoted precisely to the protection of intellectual property. And it is difficult to be surprised at the U.S. pressure because at least two-thirds of the records, cassettes, and software reaching our country are produced in the United States. And this is big money.

According to some commentators, this will entail enormous expenditures, particularly as regards the importation of modern technologies. (Apparently by virtue of software obligations or fees for using computer software, approximately \$300 million will flow out of Poland.) But the case is not yet closed, if only because we still do not know whether the rule of amnesty for technologies, copyrights, and patents already present on our market will be applied. Second, all of this is really incalculable because, for example, many credit allowances are dependent on the application of treaty decisions. Third, certainly stealing "costs" less, but can this be an argument?

Meanwhile, many journalists eagerly talk about replacing Uncle Vanya with Uncle Sam, about the dictates of Washington, and about a threat to the sovereignty of the Republic of Poland. But, except for the perhaps amusing "uncle-uncle" association, such statements are not only ridiculous, considering today's political context (we have a democratic state and must link ourselves to the structures of the West), but they are also—and maybe most of all—shortsighted because, as a matter of fact, the new law, when it goes into effect, will not particularly influence the work of already existing, reliable firms, that, for a long time, have been observing the rights of authors, performers and producers. On the other hand, there is no way today that we can participate in international cultural, scientific, and technological exchange if we do not apply generally accepted principles—above all, paying owners of rights for their work.

Further delay by the Sejm in passing the "copyright law and related laws" will, in the end, cut us off from the modern technologies of the West and contribute to the erection of a new wall on the Oder River.

Fate of Liberalism After Campeanu Viewed
93BA0726A Bucharest ADEVARUL in Romanian
2 Mar 93 pp 1-2

[Article by Sergiu Andon: "Liberalism After Campeanu"]

[Text] A great schemer, a master of Machiavellian maneuvering, a person of great skill at sensing nuances of all sorts, Mr. Radu Campeanu could not have missed the significance of the scheduling of elections for the PNL [National Liberal Party] leadership precisely on his birthday. We will admit that he did not add this slight advantage of sympathy inspired by deaths and birthdays (when sins are forgiven and people hug each other emotionally) to the sentimental capital that he raked together for the day of decision. We must consider, though, that risk of failure to make his birthday a sad occasion did exist. He probably did not entertain it even as a possibility. It would be one more proof that man's self-esteem clouds political reason and instinct, even in the cleverest of men.

Mr. Campeanu is a clever politician, but he does not realize that he was destined to fail, as was his party, as long as he was identified with the leader. It does not require any great intelligence on our part to realize the result. On Saturday, 26 September 1992, we pointed out the weakness of the excessively optimistic prediction based on the public opinion polls and stated that the PNL would not be represented in Parliament again. The reason was that at the time the fate of the liberal movement was linked to Mr. Campeanu's credibility, which obviously was on the decline.

Nevertheless, it was not the traits and style of the former leader that brought about the party's failures and those of the party's architect. This was a game lost before it began; the failure was built in.

Postrevolutionary Romania has gone through a period of political adjustment. Without an opposition in the past and marked more or less by social conformity, during the first three years it had no real multiparty system. Life was like that of the animate beings in the protean soup of the primordial ocean: very simple organisms, unstable as a species, and with no skeleton or even bone-making substance. The political tournament was an eminently paternalistic one, as it was in the age of legends when it was heroes and not armies who fought each other.

Radu Campeanu was one of the heroes of the first battles. He erred in grappling with the goliath of popular sympathy. The prolonged prior experience of having a political and ideological shepherd resulted in ready-made postpaternalism.

The desperate hunger for a leader also made itself felt both among the electoral majority and among the smaller numbers of the future opposition. Parties were formed, or an attempt was made to form parties, around the image of specific persons. Political fighting was

waged among, for, and about persons. Political classification was determined largely on the basis of the criteria of charisma, not charisma according to cosmopolitan standards but in keeping with the archetype imagined by the native majority, misled and misleading.

Devoid of unity of interests and firm programs, the political organizations could not fail to experience internal personal conflicts. Splits also occurred in the guise of disputes between persons, even though the political genes began to foreshadow other kinds of rearrangement. In this entire vortex Radu Campeanu labored under two handicaps, each enough to eliminate him: the opposition of a person with a monopoly on public popularity (Ion Iliescu) and self-exile. He became aware of the former a little too late, when he tried not to oppose this popularity any longer, but he did reveal different intentions with his opposing candidacy of 20 May. The latter did its work silently and is now completing the process of disintegration; the epidemic manifested in the syndrome "he did not have to eat soybean sausage as we did" is now ending with Mr. Campeanu's defeat within his own party.

Radu Campeanu entered politics too late. He is a skilled politician, but a politician of the 1940's. Being in the position of concealing his lack of supporters and funds with aloofness, the suitable environment for him to shine in would have been that of the sumptuously draped drawing rooms and alcoves. I do not think that he went to Versoix as agent provocateur; it was simply instinct that moved him to try to get into a clique, and he had no other avenue open to him (even if he failed, it turned out that he had the good of the country at heart). He would have been a complete master of the art of living as a chief courtier. He had no training as a business-suited figure under totalitarianism or post-totalitarianism; this regime produced its own system of nasty people more popular in character and with a less impressive image. Yes, Radu Campeanu would have been wildly successful in the swarm of democratic excesses that preceded the rotten dictatorship. His infinite capacity for fancy footwork and pulling off political surprises would have taken his party to great heights under those conditions. But now he was outside his time. During the little era of paternalism he was defeated before the fight began by an experienced adversary who was familiar with the lie of the land and was also a purebred native, and when paternalism started to fade, Radu Campeanu's imposing presence became unavailing.

The decline of Radu Campeanu as a party figure continued after the successive abandonment of declared or even attempted leaders, from Alexandru Birladeanu to Marian Munteanu, and from Ion Ratiu to Petre Roman. Two have been left standing, Ion Iliescu and Cornelius Coposu. The latter will disappear as the party's funding shrivels away to nothingness, and the former as a result of collapse of the three-flowered formation under the labored breathing of egotistic interests and coteries. Moving at a slow pace, Mr. Coposu will pass through a stage of respectability for appearance's sake and Mr.

Iliescu will make his way more resolutely to the ivory tower of neutrality. What will Mr. Campeanu do? Normally he would abandon the life of political parties and let himself be appointed head of a diplomatic mission.

In the meantime, having rid themselves of leader fixation, the two organizations will take shape as authentic parties bound together not by persons but by class solidarity, one representing real, altruistic social democracy and the other authentic and efficient liberalism.

The rejection by the PNL of the trifle of loyalty to a leader opens the door to reunification of liberals and to their long-term organization on the basis of solid interests. Their future adversaries have been on this road for some time and have had more recent experience.

Liberal Formations, Issues, Leaders Viewed
93BA0694A Bucharest "22" in Romanian 3 Mar 93
p 10

[Interview with Radu Boroianu by Rodica Palade; place and date not given: "If in 1990 I Had Had the Political Intuition I Have Today, I Would Not Have Deserted the PNL"]

[Text] [Palade] Mr. Boroianu, in the summer of 1990 you left the PNL [National Liberal Party], contesting the leadership, and you formed the PNL-AT [National Liberal Party-Young Wing]; then you left the PNL-AT, creating the NPL [New Liberal Party]. How do you explain this course?

[Boroianu] Based on the perspective that I have now I can tell you that the way we responded after exclusion from the PNL back then in 1990 was not terribly intelligent; nor did the PNL leadership have a justified attitude toward the different point of view that we represented. It was a mistaken gesture on both parts, and I believe that if we had held out then we would have finally provoked the possibility of a liberal faction, so normal within a modern party. Still, it was the moment of the reappearance of those who had been brutally torn from the social and political life of the country and who had returned to Romanian politics, connecting 1989-90 with 1947. Now this is no longer possible today. Then we put on a show, we took an almost ridiculous name for ourselves—the National Liberal Party-Young Wing—because we had no other wish than to return. It is true that we realized much later that, in fact, there was an irreconcilable conflict between two persons: Dinu Patriciu and Radu Campeanu. It must be acknowledged that Dinu Patriciu has unusual intelligence, and ability to match—plus a nearly unique capacity for work. Unfortunately he does not choose objectives very well. His objective at the time was to create a Liberal Party that he would lead. Little by little, with the ability and intelligence that I acknowledged in him, he manipulated things so as to lead to a decline in the importance that we represented through unity and as founders of the PNL-AT, eliminating some of us, democratically so to speak, in a congress that was manipulated from start to finish. I

personally am guilty of not allowing Viorel Catarama to react the moment he had gotten wind of the manipulation of the congress. What had seemed so nice turned out to be an unparalleled dirty trick. Provincials got it into their heads that we were scoundrels who, with Catarama's money, were out to do something nefarious; they cooked up yet another image of us, which led to our elimination from the PNL-AT, without considering any kind of argument.

[Palade] Would you like to specify the date when your party was born and how many members the NPL has now?

[Boroianu] Three weeks after the PNL-AT congress at Brasov, I asked Dinu Patriciu to give us proof of his sincerity, of the fact that he had not manipulated the congress. I proposed that we both leave the leadership of the party so that by that sacrifice we would demonstrate that everything we had thought about the congress was wrong. He pretended to accept, after which he returned to the party leadership; foreseeing our harsh reaction, he responded by carefully preparing our elimination from the party. We left for Constanta, far from the stress, to consult among ourselves. PNL-AT was a joint creation. When some people who entered the party just a week before, about whom we had no proof that they belonged to the party, eliminate you, you cannot accept it so easily. Our adversaries would believe any effrontery about us. Then, finding us at Constanta, the local PNL-AT organization let us know that they had consulted with those from Iasi as well as with other organizations and felt that our ouster from the party was insane. They asked us to come up with a solution because they wanted to stay together with us. We told them that each one of us and all of us together would try to get into another party that would agree, in some way, with our aspirations. (At that time we wanted to ask the leadership of the PAC to accept us as ordinary members in the party.) But they said: No, we want to remain the Liberal Party and we offer you this solution, which was also discussed with the other organizations. Of course, in a way, we felt proud of this initiative, which was not ours, of the fact that people had confidence in us and wanted us, in exchange for that confidence, to form a new party. That was how the NPL came into being, with a single goal: the unification of the liberal movements.

[Palade] How many members does the NPL have?

[Boroianu] I do not have an exact figure. I can say that at present there are as many county organizations as there are counties and as many neighborhood organizations in Bucharest as there are neighborhoods. The number of those with membership cards who have paid their dues exceeds 10,000.

[Palade] What is behind your negotiating the merger from the 26 of February of this year with the PNL, the leadership of which you contested in the summer of 1990?

[Boroianu] If in 1990 I had had the same capacity for political intuition as I have today, I would not have left then either and would have pursued the goal from within the PNL. It is the obligation of a collective organism, which is what a party congress is, to change or modify its leadership. I cannot come from outside the party and tell them: I do not want to unite with you unless you get rid of Tom, Dick, and Harry. They could insist on the same thing, and then the idea on which unification is based would simply fall apart. That is what Dinu Patriciu does, arrogantly and dishonestly, because he is a phony. I believe that the idea of unification of all the liberal parties is too important. We do not have the right to leave the liberal instrument in the hands of all the political parties of Romania minus one powerful liberal party. It is the only economic doctrine that can be adopted in Romania today. The rest are false. The Liberal Party of Romania must be a strong force in order to succeed in forcefully counterbalancing the parties of the left, which are bankrupt from the point of view of economic doctrine.

[Palade] I would like to ask you to comment briefly on Radu Campeanu's work during these three years.

[Boroianu] I believe that Mr. Campeanu was and is a politician. A man who lives politics. Of course I, too, could weigh in with some reproaches: At the start of the recombination of the PNL he evidenced a bit of self-sufficiency; he felt it was good to surround himself, as a kind of moral reward, with former comrades in detention—and morally I understand him perfectly—leaving the young on the back burner. On the other hand he was much too tied to the constituent memories of the former, pre-1947 PNL. In time Mr. Campeanu did not wish to revive contact with us, considering us as a bloc and each of us separately to be traitors to a cause. I think this was a mistake. And moving beyond this phase, I cannot say that the PNL exodus from the Democratic Convention, for example, so much discussed and reproached by the press, was a political blunder. The convention did not succeed in gathering the opposition together because the opposition cannot be gathered except around a unique doctrine, not around personalities, of a fantastic or hypothetical ideal. A political conjunction is either of short duration with a chosen goal, or of long duration, and then it has to be around a unique doctrine. The winner at the time of this momentary conjunction was none other than the PNT-CD, which at the time visibly lost territory. It was a party on the road to dissolution because it practices a totalitarianism identical to that which we just escaped, but of another ideological origin. Another reproach I have against Mr. Campeanu is that even if there are arguments for doing so, you cannot propose that King Michael should run for the post of president of Romania, based simply on the fact that the other parties were unsuccessful in producing a leader of sufficient political and personal stature to oppose Ion Iliescu. You cannot make such a proposal public before consulting anyone.

[Palade] How would you comment on the job of the liberals in the Stolojan government?

[Boroianu] The Stolojan government, which did some things on the economic plane that cannot be changed even today, was, in general, as the administration of the country, profoundly characterized by temporary insanity, which makes it hard to demonstrate now if the liberals could have done something. In Romanian politics you have to demonstrate in practice that you are capable of doing something. This makes more of an impression on Romanians than any kind of claimed doctrine. Only there is also a risk: If the entire government bears no harvest, then automatically everything you wanted to do leads you to defeat and not to victory. That is almost what happened. Thus the principle was not unfair. But let us take a case in point: You cannot say that you will put Communism on trial and then not do it. I am giving you an example of a liberal initiative by the Stolojan government. Nor can you completely annul what the Minister of Finances did for Romanian finances just because the party that governs now is different from the one that formed the Stolojan government. Thus we are now witnessing how everything that happened in the Stolojan government is being tossed into the wastepaper basket, on the one hand, by the opposition because it did not participate in governing and what happened then does not represent them and, on the other hand, by the FDSN [Democratic National Salvation Front] and the current parliamentary majority because they came to be at odds with the FSN [National Salvation Front] and Petre Roman and suppose that everything that Petre Roman and Stolojan did was bad. It is insane.

[Palade] In the negotiations for unification with the PNL, what relation do you have with the Group for Moral and Political Reform?

[Boroianu] This group is nothing more than one of the forms by which Romanian society in general is manifested. Who can give lectures in morality today in Romania? No one takes up politics simply to remain a voter. Anyone who gets into politics wants at some point to get to the top. The same is true when a political party is born, because it wants at some point to govern the country. We have to get beyond this phase where we accuse each other of wanting the "bone." If a politician does not want to make it to the country's top echelons, he is not a politician. But going beyond this, we have to look at the "arms" they are using. Unfortunately, the most common armament in use in Romania is demagogic.

[Palade] Please comment on the relationship between politics and morality.

[Boroianu] Political morality is one aspect of morality in general. Just as one can speak about the morality of card players. The card player does not have the morality of a hermit, viewed as a moral ideal, which in my opinion is religious. The hermit is, may be, a more moral person than is possible. In politics there are certain moral limits

you cannot overstep. Politics is impossible with someone who constantly keeps an ace up his sleeve since you cannot do business with dishonest people. In general, no human contact is possible with someone who lies. But this does not mean that politics is a game of total sincerity. Politics has to be done around ideas, not personalities.

[Palade] What do you think about the attitude of the opposition after the elections?

[Boroianu] After the elections the president of Romania, Ion Iliescu, gave visible signs that he wanted to move from what we then called his populism or over-leftist bent toward the political center. He extended his hand to the opposition to form a government. If it had counted up the seats very carefully, the opposition could have realized that it could have put together some sort of majority in Parliament. It was clear that the PUNR [Romanian National Unity Party], the PSM [Socialist Workers Party] and the PRM [Romania Mare Party] would not come together in the Democratic Convention; it was clear with whom it was possible to make friends so as to reach a parliamentary majority. What did the opposition do? It refused, saying: No, you can stay right there on your bench on the left. What was he to do, this Romanian president who had been brought along by a certain policy, represented in Parliament by the FDSN, other than to give a free hand to these political formations to unite with the parties with which they were in political agreement and form a parliamentary majority that would afterward be able to form a government?

The opposition parties refused this move out of fear of losing their electorate. But I ask you: How many members of the FDSN, PUNR, PRM and PSM parties would have agreed with Mr. Iliescu if he had also extended his hand to Mr. Coposu to form a government? I believe very few. And even if we accept this principle, we can see who would have lost and to whose advantage. It may be that these opposition formations would have lost some of their electors, but I am convinced that they would also have lost the current majority. And what would we have gained? We would have gained a president of Romania more to the center than he is now. Today, apart from organic laws, when there is need for a quorum, what does the opposition avail itself of? But the theory that holds that the FDSN won the elections is illogical: Is 28 percent that a winning score for an election? In what country in the world and by what political logic? We, the opposition, have finally made this party a winner.

Another thing: Mr. Coposu made a statement later adopted by other opposition leaders. He said: "If you are going to apply your political program and it agrees with ours, we will support you in the government." Incredible! Forgive me, I cannot get it out of my head. This is political naivete, and if we continue this way, we will have nothing left but to take up our toys and....

[Palade] What relations do you have with the Democratic Convention?

[Boroianu] We supported the Democratic Convention in the elections, with whatever time we had left after our creation to be accepted in their structures, but it is good to keep in mind once again that if the PNL-AT was a member in the Democratic Convention, and as a result is in the Parliament, this is only due to the group that later formed the PNL and not to any of the current leaders of the PNL-AT, who stubbornly opposed entry in the Democratic Convention, with the exception of Mr. Politrat. This fact is well known by Mr. Coposu, and I accuse him of not telling the truth about it; just as I accuse all the intellectuals who embraced Patriciu with open arms (after having criticized him bitterly for three years) only because he blew up at Cornelius Vadim Tudor [PRM leader].

I helped the Democratic Convention. I helped Emil Constantinescu's election campaign with everything I did and I supported him not only with words but also with deeds.

CDR Guilty of 'Irresponsible Political Apathy'

93B40692A Bucharest BARICADA in Romanian
23 Feb 93 p 3

[Article by Stefan Stoian: "A Disoriented Opposition"]

[Text] In his first major speech from the Oval Office of the White House, the President of the United States, Bill Clinton, acknowledged among other things that he could not keep his campaign promise of lowering taxes paid by the middle class. Calmly, the young U.S. president said: "I cannot do this because the deficit has increased substantially, more than I had estimated earlier, more even than indicated by last year's most pessimistic estimates."

Following the U.S. example, what is to prevent our own president from acknowledging calmly in one or two years, in front of the nation, that he also could not keep his campaign promises because the deficit has increased substantially, productivity has decreased, there has been no work, the international circumstances have not been favorable, and so on?

If that is how things are going to be, and it is almost certain that they will, we wonder what the opposition will do with its ill-fated claim that those who have won the election must assume full responsibility for the government?

It has been only five months since the election, and the strategy of the Democratic Convention is already proving to be a failure. Why? First of all because the initial intention of pressing for the FDSN's [Democratic National Salvation Front] total discredit did not bear fruit. The Convention strategists forgot Iorga's words to Parliament: "Gentlemen, no one can discredit himself in Romania." And that is true, because in order to obtain a parliamentary majority, FDSN appealed to extremist and ultranationalist parties such as the PUNR [Romanian National Unity Party], the PSM [Socialist Labor

Party], and the PRM [Romania Mare Party]. Did the FDSN discredit itself through this? Well, it is still in charge, thank you very much, under the bombardment of a press which no one believes in any longer and whose disclosures provoke puzzled expressions at best, or give rise to whispers in barbershops.

The Convention strategists also hoped that the FDSN-run government would lead the country to disaster, at which point they would be called up as the only saviours of the people. Here again, their calculations did not work as expected, because while the country is indeed being pushed toward an unprecedented economic collapse, the parliamentary behavior of the Convention's deputies and senators, far from placing them in the position of sole leaders of a national salvation alternative, with each passing day relegates them to the role of simple extras, a sort of flower in the administration's lapel. I will not analyze in this instance the totally irrelevant, even embarrassing and painful behavior of many of the Convention's representatives in Parliament.

Moreover, if the Convention's strategists had hoped for a total and rapid failure of FDSN and its allies, there remains a question of fundamental common sense: Is it not more difficult to govern a country in a condition of total disaster than one in which the disaster has not yet taken root? Another mistake, of which FDSN and its parliamentary alliance patrons took full advantage by placing its people (well-known communists, second echelon bureaucrats, and authenticated political profiteers and opportunists) in all administrative structures and throughout the government.

The Convention strategists also spoke of the liberal precedent of collaboration with the neocommunists, a precedent with disastrous results. The liberals did in fact have ministers and secretaries of state, and did participate in the government. Their contribution was not a viable solution; they discredited themselves and the voters condemned them drastically. Does this mean that from now on, no one can be part of a politically diverse government? Not at all.

We are convinced that the Convention's ministers could have definitely stopped the communist revival that is now widespread and totally uncontrolled. Even to secure a few ministries would have meant something. But this opportunity is lost now, and very soon Parliament will pass the Public Official Law, which means that it will not be possible to change those in office for years to come, since they will be protected by this law.

And finally, a rather serious situation is developing: Through its totally passive attitude, the Convention simply defies the will of the voters. The percentages it obtained from the election did not give FDSN the rights that the Convention offered them with a more than condemnable generosity.

What can be done in this case? It is clear that those who had placed their hopes in the outcome of the anticipated elections were deluded. It is equally clear that the voting

machine in the two chambers will continue to operate flawlessly. This being so, the opposition's only viable solution is to immediately start a parliamentary strike: there are plenty of reasons for it, since the FDSN administration provides at least two reasons every week. So does the presidency. We find ourselves at an extremely dangerous political crossroads for the opposition, and it is time for the latter to wake up before it's too late.

History will ruthlessly condemn all those who do not understand that they must answer its call.

P.S. BARICADA readers may be surprised and irritated by this article. We ask them not to lose patience: We have remained true to our old political line. For three years we never attacked the opposition, and if we do it now it is because we are scandalized by the irresponsible political apathy in which it has wallowed in recent months. It must immediately forego its minor digressions and ambiguities. In conclusion, it is urgent that the opposition become radicalized.

Attack on Rabbi Rosen in Ultranationalist Weekly
93P20129A Bucharest EUROPA in Romanian
6-13 Apr 93 pp 1, 5

[Article by Ilie Neacsu: "The Rabbi Has Hemorrhoids"]

[Text] Just because our last few issues gave him a breather and did not publish anything about him, the rabbi thought this gave him the right to attack, in his usual demagogic manner, those of us who are uncircumcised. Bothered to no end by the patriotism displayed nonchalantly Saturday after Saturday by Mr. Paul Everac, general director of Romanian television, the old man sporting a purple pot on his head—you spotted him, the chameleon Moses Rosen, right?—had some strong words of criticism for the well-known playwright [Everac] in the pages of CULTUL MOZAIC, a magazine that practices the personality cult toward the rabbi in a shameless manner worthy only of those kikes. To top it all off, that sewer of the postrevolutionary press, EVENIMENTUL ZILEI, also published the letter of this inventor of pogroms and holocausts allegedly committed by Romanians.

In the title of his letter, the uncouth religious boss of all Romanian kikes asks the director of Romanian television: "What will you do Mr. Everac if there is a God?"

This question, to be sure, leads me to become increasingly concerned about the rabbi's declining health. If he, alleged servant of God, is asking himself the question "whether God nevertheless exists," this must mean either that senility has finally set in or that the only master of those kikes is MONEY.

With his characteristic rudeness, the number one Zionist of the Coral Temple of Bucharest grabs Mr. Everac by the throat and accuses him of drawing inspiration from Hitler's *Mein Kampf* or the "false" *Protocols of the Elders*

of Zion, as if nobody had the right to read anything that didn't suit the Jews. And, to be more direct, no history book told us that Hitler slaughtered those kikes in Tel-Aviv or in the Jordan Valley, but rather in his own backyard, in Berlin, where the descendants of Judah had taken over Germany's economy, culture, and politics after World War I.

What are all these Jews still doing in other countries—no doubt prodded to go there by rabbis and Zionists—when they have had a state of their own for the past 45 years? Could it be that, because of their greedy habits, they are trying to find fault with the whole world? And when some of the natives try to get these uninvited nomads to keep their paws off, they instantly hit the roof and claim they're being mistreated, that human rights are being violated, etc., etc. All of these claims are nothing but tall tales told by those kikes to incite the Western press, which is largely under their control, and to get the attention of the Council of Europe, which is also under their control, and of the United Nations, which is at the mercy of the World Jewish Congress. And all these things are happening while not a single day goes by in Israel without these well-known racists shooting three or four Palestinians. But the UN, the European Community, and the Western press run by those kikes pay not the least bit of attention to these abuses.

Uncle Moses Rosen keeps on complaining that, throughout history, many Jews came to a tragic end in various corners of the world. He blames this first on the Spanish Inquisition and then on Hmelnitzky's Cossacks. Who the hell told you to leave your homeland and wander the globe pestering natives?

Furthermore, the purple-clad devil pretends he doesn't know who's responsible for Communism and who murdered Ceausescu. All right, we'll just have to refresh your memory, you forgetful little priest. Communism is the invention of those kikes Karl Marx, Etean Diner [as published], Feiga Rabinovich, Leon Braunstein (Trotsky), Zinoviev, Ana Pauker, Fishman, Rosenthal, Kamenev, Gruenberg, Rosenstein, Steinberg, Bermann, Gluzman.... This list could probably go on for a dozen pages, at the end of which we could append a supplement of 32 more pages filled with the names of their relatives and their home addresses and phone numbers both in Bucharest and in other capitals and cities in Eastern Europe called upon by Lucifer to grant shelter to such uninvited guests.

We're also going to set you straight on Ceausescu's murder, you innocent child. He was murdered by a bunch of criminals led by Brucan and Roman (kikes) and by Gelu Viocan Voiculescu, a psychopath and a kike-lover, because Ceausescu was a proud Romanian, because he stood up to the kikes, because he eclipsed Gorbachev, Bush, Mitterrand, and Kohl, and because he loved the people. But Ceausescu's trial is far from over, you old goat. We're sorry that your precarious health won't allow you to attend Ceausescu's real trial. At that trial all his deeds will be revealed, the bad ones as well as

the good ones. Then it will be up to the Romanian people to decide if his bust shall be prominently displayed in Union Square and on Socialist Victory Boulevard.

As for those who are currently dancing to your flute, we'll just see about that in due course. The Romanian people won't put up with insults from a bunch of kikes and their Romanian cohorts forever.

But to return to your case against the general director of Romanian television, I want to explain to our readers that your complaints are not based on comments Paul Everac made about Jews, but rather on the fact that he's a Romanian and not a kike. And also on the fact that, after the spontaneous coup d'état of December '89, it became common practice to have kikes in all major positions of the Romanian Government, so Ayatollah Rosen went on the offensive so that President Ion Iliescu wouldn't make the "unfortunate" decision to remove Elly Gloter (Eugen Preda) [as published] from his job at Romanian Radio, like he did those kikes Aurel Dragos Munteanu, Razvan Theodorescu, and Emanuel Valeriu.

Finally, the drunken rabbi goes to such lengths to display his piety that he's scaring the crows atop the Coral Temple. Him and his faith in God, indeed! That devil believes only in the dollars he's getting from his coreligionists living abroad, exchanged for Romanian lei at the 1989 exchange rate.

But don't you worry, Radu Sorescu and his young fellows will soon be emerging from the forests where they've been getting ready. They'll be wearing green shirts and a sash. Then we'll have order. Then we'll see how those kikes and those Romanian traitors will manage to change sides.

Gypsy King on Iliescu's Election, Democracy

93BA0696A Bucharest BARICADA in Romanian
16 Feb 93 pp 8-9

[Interview with Iulian the First, king of all the gypsies, by Stefan Stoian in Sibiu on 9 May [year not given]: "Do You Really Think You Are in Europe?"]

[Text] Although it is not quite Caracal, Sibiu also has its oddities, and one of them is the street names. In the city center, you cross beyond Spitalelor Street and in the Turnisor neighborhood you happily encounter Seceratoarelor Street. On this street, at number 11, is one of the majestic oddities of the city: the royal palace of Mr. Iulian Radulescu, the King of All the Gypsies.

On an especially frosty day around lunch time, I stopped in front of the palace and, thanks to the goodwill of a gypsy woman wearing a vividly colored dress, I was received by "His Highness" himself.

We began our conversation in a well-heated room adorned with two color televisions, a VCR, and a portrait of the king at age 20. I learned that I was actually in the Royal Chancellery and, at the same time, in the

editorial offices of the publication SATRA LIBERA, a paper which endeavors to make no more and no less than a contribution to "the social renaissance of the Gypsies."

After I signed the guest book of the King of All the Gypsies, a monstrous book of 365 pages weighing seven kilograms, His Highness placed before us a piece of paper signed by the ministers of education and culture, Messrs. Maior and Golu, which attested to the creation of the "Ion Budai Deleanu" Foundation, owned by Mr. Julian Radulescu. This foundation has lofty goals, wanting to be nothing more or less than "a social-humanist institution of culture and education."

Our discussion took place in a cordial atmosphere, livened here and there by a glass or so of Napoleon brandy, since this king drinks from the likes of other kings.

[Stoian] Your Highness, is it true what they are saying throughout the city, that for the 27 September 1992 elections you ordered the Gypsies to vote for Ion Iliescu?

[Radulescu] We did not and do not now endorse anyone! We let things take their own course, with each person voting for whoever he wishes. Many people have said that we Gypsies are the ones who elected Iliescu.

[Stoian] Is this true or not?

[Radulescu] For the second free election (the second round, Ed.), it was noted that not all of our people voted for Iliescu.

[Stoian] Returning to the first question: What can you tell us about the attacks in the print media concerning your ethnic group? Prior to coming here to see you, I read a very forceful attack against you in a Bucharest weekly....

[Radulescu] My good sir, there is a certain person named Miscan who it is said was previously an attorney in the State Prosecutor's Office. At least I was so informed.

[Stoian] I believe you are confusing things: at ROMANIA MARE the attorney is a Mr. Mirescu...

[Radulescu] Whatever, I have not researched to date who this Miscan was, but, you see, he is throwing garbage in the face of people who do not deserve this treatment. This should be done in maybe 20 to 30 years when we will have a stable democracy in Romania, like in other countries in Europe. What, do you really think that we are in Europe? Now, when you see that we have wars to our right and to our left, when you see that these wars are especially ones between ethnic groups, that's when he throws garbage? Is this what Mr. Cornelius Vadim Tudor should do?

[Stoian] Forgive me, but speaking of Mr. Tudor, some newspapers, including, it seems to me, a Bucharest daily, have written that you have issued a rather stern warning to Mr. Vadim, even threatening him with a beating. Can you give us any more details?

[Radulescu] It is true that this has appeared in the press. But, we did not address Mr. Tudor, but rather the two houses of Parliament and the Commission on Discipline. We even wrote them to send us a response within 30 days to tell us what measures had been taken.

[Stoian] In other words, you did not threaten him with death?

[Radulescu] As I said then and repeat now, in the communiqué we sent him entitled "An Open Letter to the Parliament," we mentioned that in the event he does not respect the country's Constitution and violates it an obvious manner, then neither will I respect it. And, why shouldn't we do it, we Gypsies? Because we are not from around here...because it is not our Constitution, as some have said. Living in this land, where we have been for thousands of years, we are Romanians first and then Gypsies. We have said that it is better for us to cooperate with the Romanians. As you have seen, we did not go out into the streets in protest, we do not have Gypsies who went out into the streets.

[Stoian] Not even during the Revolution?

[Radulescu] During the Revolution, we were out there. But now, after the Revolution, did you see any of us out in the streets saying: We don't have any bread, we don't have anything to eat, we have nowhere to stay? Have you heard of such a thing?

[Stoian] No, I have to admit I haven't.

[Radulescu] And, you won't. We are the chieftains of these people. Information flows from us to them, telling them to take care of their own affairs and stay out of trouble. We have been taught to be patient. We have been patient for thousands of years, so we can wait another ten. But, why won't the Romanians, who are people of goodwill in this country?

[Stoian] Your Highness, from what I know, and I must tell you I am from Bucharest and that I grew up in Dudesti, a neighborhood with many Gypsies, and that the authority of a "chieftain" does not extend over more than about 300 people. So, how do you think you will be able to control all the Gypsies in Romania, let alone Gypsies everywhere?

[Radulescu] We have a very quick and very efficient system of communications.

[Stoian] Could you describe it to us?

[Radulescu] It is one of our secrets and we shouldn't reveal it.

[Stoian] We are interested in how efficient it might be. For example, in the case where a Gypsy failed to adhere to the laws of your ethnic group, how do you learn of this infraction and, in the end, how is it punished?

[Radulescu] If one of our people violated our unwritten laws, which nonetheless we consider laws, this Gypsy is

held accountable before the Royal Council, which we call the Romano Council, before the council chief and...

[Stoian] Excuse the interruption, but I don't understand. You are, in fact, the chief of all the chiefs, or are there a number of chiefs in various regions?

[Radulescu] There are chiefs in certain regions of the country. This is not, as Mr. Cioaba states, a titled position. The position of emperor or king is not something which is bestowed over night or, as some others say, some kind of honorific title. No, sir, it is not. This is something holy to us. Our laws are holy, inviolate, sacred. If one of our people were to do something against somebody, we could punish them, even with death. We Gypsies do not have very much crime or many divorces. We are not married in the city hall or in those other places in accordance with civil laws... We are married in accordance with the decisions of our leaders.

[Stoian] For example, if two Gypsies come to you, can you marry them? Is it done in accordance with a ceremony?

[Radulescu] A ceremony which we hold. This is taken into consideration.

[Stoian] There are also divorces amongst Gypsies. Are you also empowered to divorce a couple who is not getting along?

[Radulescu] We can. We have these terms, to divorce and to marry. A family can only be created according to our beliefs. If a woman does not want to stay with a man, all of the costs involved in this are paid for by the woman's father. If the man wants the divorce, then he pays. We are talking about fabulous amounts of money, and I don't know if it would be convenient for people to pay two to three million lei, especially with the value of money today....

[Stoian] Your Highness, how much does a Gypsy bride cost today? It is said that some enormous sums were paid for brides even during the Ceausescu era.

[Radulescu] Sir, brides are not sold. We are talking about a dowry. The wedding is held in accordance with the dowry. If the girl's father gave her 50 large gold coins...

[Stoian] Did Iliescu give you gold coins?

[Radulescu] Sir, Iliescu gave us very little. He gave us back during 1978-80, he gave us something. Iliescu approved, but he gave each person what he thought appropriate: 10, 15, 30 up to 100 coins.

[Stoian] This was before the elections in 1990?

[Radulescu] Yes, yes, prior to 1990.

[Stoian] Your Highness, but what would the price be today for a so-called "Gypsy girl"?

[Radulescu] Sir, we don't speak of a "Gypsy girl." I don't know who came up with that expression. I think it's that

woman in EVENIMENTUL ZILEI. I even spoke with them about this. "Gypsy girl" is an insult. Amongst us Gypsies, a young woman is not sold like a hen or like a cow, so to speak; she is a person. Isn't that so?

[Stoian] Everyone knows that young women are in great demand.

[Radulescu] Yes, this is true. The demand is great because the wealthy parents of these girls give the girls a great deal of attention. With regards to this attention, it comes in the form of expensive gold coins, minted Franz Josef coins, but not Napoleon coinage, since these cannot be had.

[Stoian] Can you tell me for what reason?

[Radulescu] Ha, ha! Do you really think we are in Europe, that we have democracy here, as they say? There's a way to go before we have democracy. Such a gold coin currently is worth 120,000 lei. Because it is 24 karat gold. It is the most expensive coin.

[Stoian] So, how much does a beautiful woman cost?

[Radulescu] Listen to me. A woman does not have a price. She receives 50 of these gold coins. Several million lei. Who wouldn't take a woman with so much money?

[Stoian] I've learned that you intend to take a trip to India. What is the reason for this trip?

[Radulescu] I will go to India since our people have their roots there.

[Stoian] How do you know for sure that it is India and not, for example, America?

[Radulescu] We have documents from scientists here and abroad, and even from the Romanian Academy, which confirm that we come from India.

Turkish Economic Plan Excludes Romania, FRY 93BA0818A Bucharest ROMANIA LIBERA in Romanian 17 Mar 93 p 8

[Article by Vladimir Alexe: "Turkey Is Planning a Restricted Economic Zone in the Balkans Without Romania, Greece, and the New Yugoslavia"]

[Text] Turkish President Turgut Ozal's recent tour of four Balkan states (Bulgaria, Macedonia, Albania, and Croatia), seems to mark a dramatic change in Turkish policy and options in this region, so troubled over the last two years. President Ozal sought on this occasion to dispel the increasing fears about Ankara's intentions regarding both political and economic control of the Balkans. He declared in each of the capitals he visited that Turkey has no intention of conducting a policy of "Ottoman megalomania." The fact that things are not that way and that Turkey is currently playing a dangerous double game in the Balkans is proven by the concrete proposal made by his interlocutors for long-term political and economic cooperation between the

four countries he visited and Turkey—in fact, a kind of restricted economic and political zone.

The fact that the president of Turkey did not include Romania in this tour is not at all insignificant in this context. Like Romania, Greece and the new Yugoslavia were also, significantly, ignored. Instead, Macedonia and Croatia were considered more important. Moreover, Mr. Ozal had specific proposals for each of the four Balkan countries he visited. For example he proposed, confidentially, that Mr. Zhelyu Zhelev close his eyes to the illegal transit of arms from Turkey for Bosnia via Bulgaria. More bluntly, he asked for the tacit violation of the international embargo on the delivery of arms to Bosnia instituted by the U.N. We should not forget that at the end of 1992, the democratic and anticommunist government of Filip Dimitrov fell in the wake of the transition in parliament to the party supported by the ethnic Turks on the part of former Communists, precisely because of the Sofia government's refusal to accept the illegal transit of arms from Turkey to Bosnia via Bulgaria. Since president Zhelev firmly and immediately rejected this transit of arms through Bulgaria, we may ask ourselves now if he may soon meet the same fate as Filip Dimitrov. The more Zhelev categorically opposes any kind of military resolution to the conflict in Bosnia, the more Ozal, by contrast, endorses the active participation by Turkey in a possible foreign military intervention in Yugoslavia.

In Macedonia Ozal promised President Kire Gligorov his complete support for the development of Macedonia's own armed forces, as well as economic aid, soliciting immediate international recognition of Macedonia despite the objections of Greece. In Tirana Mr. Ozal announced a four-year plan of economic cooperation that would, ostensibly transform Albania into a kind of "fiscal paradise." He also recommended to the Albanian president Berisha the quick "normalization" of relations with Macedonia, the stability of which Mr. Ozal considers to be vital to Turkey and Albania. So that in Zagreb the president of Turkey would maintain that the Muslim Bosnians and the Christian Croatians would be natural allies (!), while the war in Bosnia would not have any religious connotation. The plan for a restricted Balkan economic and political zone without Romania, Greece and the new Yugoslavia, to be dominated on all levels by Turkey, cannot but remind us of another projected zone of cooperation called "Carpathian," but in which—what a coincidence!—the Carpathians themselves, that is, Romania, were not included! The fact that economic and political isolation is foreshadowed for Romania through any kind of "regional zone of cooperation"—contrary (apparently) to the spirit of European integration—both in the Balkans as well as in Central Europe, suggests a clear configuration of some new geostrategic axes, put together in haste, but with long-term objectives. These are axes that Romania could possibly "join," through negotiation, as Mrs. C. Lalumiere recently suggested, which would mean nothing more than a conditional acceptance—although we do not

know them, these conditions could still be too difficult for us to imagine! As Mr. Ulf Spineanu properly observed in a previous article, although we are a "Carpathian" country, we are not unconditionally accepted even in the "Euro-Carpathian zone." And this, by countries that do not belong at all to the Carpathian zone. Thus, little by little we risk not even being considered Balkan! By this logic, within a few years we will be fighting hard not to be accepted in Europe but to pass tests for "Balkan" or "Carpathian" integration. The fact that Romania was left out of the new geostrategic axes should thus merit much more attention on the part of the political powers and parties. It could be that these "omissions" will not be accidental.

*** Serious Cases of Water Pollution Reported**

93P60154A Bucharest ROMANIA LIBERA in Romanian 26 Mar 93 p 2

[Article by Daniel Fleseriu: "Dumping Toxic Waste in Rivers"]

[Text] Periodically, many industries pollute rivers much above the allowed limits. According to Engineer Constantin Constantinescu from the Department for Water Quality Protection, "Romanian Waters" Autonomous Administration, the chemical fertilizer complex "Amolin" in Slobozia willfully and repeatedly has been polluting the Ialomita river. Because the plant's management knows that no water consumers exist downstream, it fails to epurate the spent water. Thus, concentrations of ammonia derivatives in excess of 50-60 milligrams per liter [mg/l] are frequently measured in the river, much above the maximum permitted limit of 10mg/l.

However, Constantinescu continues, the worst pollution is created by petroleum products. Pollution of the Bistrita-Marului River is the most recent case, when the SC Hidroconstructia Caransebes dumped the waste oil accumulated in one of its storage tanks directly into the water, thus causing a 500-meter-long contamination of the left bank, and a temporary shut-down of the Otelu Rosu city's water supply. Two days ago, a damaged pipeline belonging to the Compet SA Ploiesti contaminated the Dambovita river with a massive amount of kerosene near the Cobia commune. By now it is common knowledge that petroleum products are causing the most frequently occurring and long-lasting pollution problems. The Mures river, one the country's largest, is continually being contaminated; on 22 March, the concentration of organic compounds in the water tested at 18.6 mg/l, an amount much above the permitted limit. In this case, the offender has been the RAGCL Targu Mures.

*** Cellular Telephone Network Inaugurated**

93P60205A Bucharest ROMANIA LIBERA in Romanian 3 Apr 93 p 1

[Article by Cristina Stefanescu and Carmen Andrei: "Cellular Telephones in Bucharest"]

[Text] Friday, at the Elisabeta Palace, the Romania Telefonica Association hosted a press conference inaugurating the Cellular Mobile Telephone Service in the city.

This mobile telephone service will begin operation on 5 April in Bucharest municipality—including the Bucharest-Otopeni airport and surrounding area—covering a range of 40 km around the capital.

The cellular telephone service will enable subscribers in the area covered to establish links both among themselves or with stations elsewhere in the country or abroad. The system also provides a three-station teleconferencing capability. The next phase will be to extend the cellular telephone network to cover Brasov, Constanta, Ploiesti and Timisoara and, four years from now, all

cities of more than 300,000 inhabitants. The equipment is available through the distributors of Philips (Spain), Cetelco (Denmark) and Benefon (Finland). Initially, the network is estimated to have 3,000 subscribers, eventually growing to 30,000.

The prices will be as follows: each set will cost approximately 600,000 lei; the installation fee will be about 390,000 lei; the monthly subscription cost will be 39,000 lei; the charge for one minute of conversation will be around 180 lei. This price schedule will be applicable only for conversations inside the cellular network. For calls addressed to the fixed telephone network, the TELEMOBIL subscriber will have to pay additionally for the regular conversation according to the Romtelecom's existing pay schedule.

*** Differences in Social Policy Characterized**

93CH0483A Bratislava *SLOBODNY PIATOK* in Slovak
5 Mar 93 p 14

[Article by Rastislav Toth: "Social Politicians—Hungry Wolf and Weiss's Sheep. People Being Talked About, Through Political Scientist's Eyes"]

[Text] Let it be noted that one of the citizen's basic feelings in our society is fear. It is felt by employees, directors, and entrepreneurs. It is being displayed by leaders of civic, Christian, and nationally oriented parties. As if everyone has to be afraid of something: Some fear the future, others the present, and surely there are also some who fear their own past. A feeling of threat thus logically evokes a need for protection.

Let us examine the social fear alone. Protection against it was offered already before the elections by several parties: the SDL [Party of the Democratic Left], of course, but also by the SNS [Slovak National Party], the HZDS [Movement for a Democratic Slovakia], and even the KDH [Christian Democratic Movement], to name at least those who made it to the Slovak parliament.

But the protection is offered to a very broad spectrum: the unemployed, the employed, entrepreneurs, pensioners, children, the sick and the healthy—in short, almost everyone. (Only students did not find room under the proffered protections.) Indirectly, protection extends also to crooks because financial and civic safety policy functions like a scarecrow in a wide field: It is feared only by the inexperienced sparrow.

But is it possible to protect all of these strata simultaneously and, moreover, by a single party program? In a wealthy society it is, to some extent, but not in a poor one. There is only one pie of society's wealth, a small one at that, so that a larger slice for one logically means taking away from someone else.

It turns out that protection can be guaranteed or at least supported also by individual politicians: For instance, the proletarian trade unions enjoy greater protection with Deputy Prime Minister R. Kovac than with the deputy chairman of the SR National Council, P. Weiss. Socially weaker groups have found a protective wing under Social Affairs Minister O. Keltosova, as did small entrepreneurs with L. Cernak, minister for the entire economy.

The newest protector is the newly founded conservative party, which offers to protect the citizen from the current government. Because this is a party of the right, the protection will evidently have an ideological-political rather than social content.

In the opposition, the SDL and the KDH profess the greatest concern for the weak social strata, the unemployed, for whom the modern term is the socially disadvantaged, as if these parties wished to become modern-day defenders of late 19th century poor.

At the same time, the Weiss people have the ambition to speak also in the name of young aggressive entrepreneurs with a social consciousness or leftist orientation, while the KDH prefers to address the government bureaucracy in education, health services, and local and okres administrations. Does this interest of theirs have an inner connection with their parties?

The preceding regime has substantially devalued the concept of social justice. Today it evokes fears of total material equality. This, too, may be a reason that social politicians and their parties do not concern themselves with this category. Social justice can, of course, be interpreted in different ways, among others the material equality mentioned earlier. In a democratic pluralist society, there exists a certain concord in perceiving the content of this term, even though individual parties shape it in their own fashion. But, in essence, it means recognition of individual differences and the resulting different material outcomes for the individual, and human solidarity from which flows a redistribution of national wealth by the state. But the principal guarantor of protection ought to be the trade unions and, under their pressure, the political parties.

The SNS originally demonstrated social concern for "Slovaks being reduced to poverty." Of course, this stance was connected with the goal of attaining a sovereign state. After achieving it, the need arises to find a new image for the SNS and, eventually, a new, less radical name.

It would be a natural thing to differentiate the SNS into a part that promotes entrepreneurial interests and one that is socially oriented. It does not seem possible for both parts to coexist for a long time. Such differentiation would make inevitable a search for new relationships with the other parliamentary parties and the government. But, looking at the leading SNS politicians, I do not know whether most will be able to find a new identity or, in other words, whether they have a broader perception of politics apart from their national sentiment.

There is a great deal of talk about a possible breakup of the HZDS. What is evident is internal discord between liberals and social politicians. The absence of programmatic bases is interpreted by the movement's leaders as unity in principles, which is not true. Liberalism or social awareness need not be "on paper." It is a way of looking at society. M. Knazko was one of the founders of the VPN [Public Against Violence], a loose liberal movement. His priorities lie in the civic sphere, not in the social field. Therefore, he could not remain in the VPN when it began transforming itself into a disciplined party with a rightist orientation. At its inception, the HZDS staked out the same goals as the VPN, so that was where he logically belonged. The same can be said of many technocratically oriented economists of the governing movement. While there is no liberal movement or party in this country, they do have a chance in political life,

and it would be downright appropriate if such a movement of the center were to constitute itself. Although it will never govern, we may nevertheless note the role of liberals in Germany and Austria. A political peace is hard to imagine without them.

Social politicians from the HZDS would fare worse. The SDL is the sole formally social party in the parliament, but it is not one these politicians can join. Can they remain without a party? They can, but their political life would be circumscribed by subsequent elections.

It will also be interesting to watch what the KDH does with its social consciousness. The effort to achieve a KDH monopoly among ordinary Christians has turned out to be fiction. The SDL manages to win votes from them even on its own. Protecting the right to religious faith is no longer necessary; no one is threatening it. This movement does not want to identify with the right, so what remains is waiting for its demise or a complicated political crisis in the country. The social politicians from the KDH would evidently be able to make a contribution in other parties as well. But where?

Essentially, there is only one possible organizational basis on which social politicians could join together—a social-democratic alliance. Should it come to the party differentiation mentioned earlier, today this alliance would command 30-40 percent of the parliament deputies even without the SDL. This would open up three possible government configurations: a minority government, a right-liberal coalition, and a social-left coalition.

But a potential social-democratic alliance lacks a supporting political structure because the SDSS [Social Democratic Party of Slovakia] has so far failed to create it, and, using one of the existing parliamentary parties, would mean adjusting to its priorities. A while ago, the HZDS managed to quickly mobilize its capabilities and create a structure that sufficed for an election victory.

Another negative of such an alliance is the absence of a credible economic idea on how to fill the state coffers. One cannot distribute from the treasury before something is put into it. There are examples in the world of social democracy's outstanding economic success, but they are the produce of skillful utilization of a strong private sector for economic prosperity of the whole society. In other words, these politicians need not toil on drawing up perfect projects but, rather, "incorporate" into their political thinking the activities of large entrepreneurs (banks, stock companies) and medium-sized businesses—that is, less sighing over the problems of tobacco and hot dog vendors, who will not fill up the state treasury, unless it is miniaturized.

There is still the question: What about the SDL? Leaders of this party ought to recognize the measure of their acceptability in the Slovak parliament and abroad. The democratic sophistication of several SDL leaders does not automatically extend to all members or the entire organizational structure. Its social orientation assures the SDL a certain stable spot in the political spectrum.

Can anyone now answer this question? To what extent is its social-democratic rhetoric an unavoidable ornament and its new characteristic feature? The SDL's presence in the Socialist International would surely facilitate a social-democratic cultivation of the SDL, whose leaders should also ponder the efficacy of social demagoguery in their policies.

The two priorities [social vs. national] are hard to bring under a common denominator. The social principle is always (though in varying degrees) cosmopolitan. It deals with the categories of social hierarchy, social needs. The nation comes up only in a secondary role. Even today, social democracy views human civilization primarily as a world of the poor and the rich. That is not a national but an international dividing line. In certain contexts, the nation, too, comes to the fore, as in the case of the hungering nations of Somalia, Ethiopia, Bangladesh, and the like.

At the same time, social democrats display strong Eurocentric tendencies. That is then reflected in the work of their international organization, the Socialist International. But this need not overly disturb us in Slovakia; clearly, we will not be a great power anytime soon.

All social parties in Slovakia had a federalist orientation; they accepted the new state as a reality. In fact, the history of communists and social democrats on our territory is decidedly Czechoslovakist. One may still remember the persecution of the so-called nationalists in the Communist Party of Czechoslovakia.

The suggested possible regrouping would add significantly to the perceptibility of the Slovak political spectrum and enable the politicians to "find one another" because, for now, where they are is a matter of partisanship and accident. They ought to come together according to the similarity of their approaches in the new conditions of the state. Slovak Government policy would become less chaotic, and one could project future developments from a perspective longer than several hours. In the final analysis, this would benefit the citizen and substantially extend the political lifetime of many ambitious personalities.

The present division of politicians among the parties is the reason their social expositions are motivated by partisanship rather than by humane concerns. Hence, politics mixes up social consciousness with demagoguery for partisan benefit. The citizen, observing this demagoguery on increasingly frequent occasions, ceases to trust the political sphere and individual politicians, as well, and would even go back to before November 1989.

Many of today's politicians have already noticed how difficult it is to make contact with experts because the experts are afraid of them—and not for political reasons but because of organizational trivialities. A rationalization of the party structure would raise the confidence of experts in the politicians and, in time, certainly also the world's confidence in our Republic.

*** Political Aspects of Former Federation Examined**

93CH0498A Bratislava MOSTY in Slovak 9 Mar 93 p 5

[Excerpts from two papers, one by Martin and Zora Butora and the other by Sona Cechova, read in Munich, Germany, in February 1993, at a conference called "Czechoslovakia After Separation"]

[Text] This time, it is the innocent who are in this same beautiful city; just the reverse, as if they wanted to atone for past sins through good intentions. And so it happened that the Volkshochschule (People's High School), the most widespread educational network covering all of Germany (the Munich branch), held a symposium on this theme. A week before the meeting, this activity had received publicity in Slovakia as well—at a political meeting of the HZDS [Movement for a Democratic Slovakia], on television programs, and, finally, in the weekly newspaper SLOVENSKY NAROD. Here we are publishing selected portions (but extensive ones) from the texts presented.

Czecho-Slovakia after the November revolution had to define itself anew and in a way that both of the main peoples and nationalities would feel themselves to be securely at home in it, so that, in a kind of domestic version of the U.S. "melting pot," they would be forged into the form of a common "political nation." It was not Slovak nationalism or the suddenly awakened Czech separatism that was to blame for the demise of the joint state, but, rather, it was due to just this absence of a sufficiently strong awareness of a "Czechoslovak WE" (as Erazim Kohak put it) for the "cooled-down melting pot."

Slovakia on the Eve of November

It is indisputable that, for three-quarters of a century, we were able, to a remarkable extent, to overcome the differences with which the markedly different parts originally entered into the joint union. And, indeed, a certain asynchrony persisted further. Neither the lack of resolution of the "Slovak question" during the first republic nor the persistence of ideas about "Czechoslovak national unity" helped to cement the peoples together. Coexistence was also not furthered by the paradoxical fact that both "strengthens" of the position of Slovakia, whether it was gaining autonomy after Munich in 1938 or the birth of the federation in 1968, took place in the shadow of foreign tanks.

In the past two decades of "normalization," there has not been a consciousness of the unreformed nature of the communist regime implanted in our minds in Slovakia, despite the signs of economic, ecological, and moral crisis and despite the objective backwardness in matters of civilization. As a result of the "softer" normalization, the fine line between opponents and supporters of the

regime was less visible. Slovakia was prepared, at most, for some variation of *perestroika*

and not for any basic social changes. The society did not see itself as a declining society, except perhaps for one factor that proved to be of rather primary importance, which was that it had a national dementia.

"The Czech Good-bye Slovakia"

It appears that the most important circumstance on the part of the Czechs was their insufficient preparedness to meet the Slovak demands for an equal partnership halfway. Sensitivity toward the Slovaks grew only gradually, and those Czech politicians who showed it (we would name V. Havel and P. Pithart as representative of all of them) more than once were criticized at home.

We lacked any recognized person who would have been equally accepted in both republics. The Slovak "federal politicians" operating after June 1990 in the governmental coalition were, with the exception of A. Dubcek, perceived in Slovakia mostly negatively. And, in the opposite situation, those people who were popular in Slovakia mostly did not enjoy any trust in the Czech lands. Another circumstance that was more divisive than cohesive was the stereotyping of Czech society as professing mainly civic values, in distinction from the Slovak society, which held only to national values and, moreover, was suspected of socialist recidivism.

The CSFR paid dearly for the fact that the communist regime suppressed critical reflection about the past. This had a negative effect on the development of mutual relationships when discussions in other than the traditional formats began to take place in Slovakia about the Slovak past. And the less the Czech society was sensitive to the need for a "new discourse" about the Slovak question, the more the various declines were noted with dismay, often only marginal manifestations and forms of "historical reruns."

Finally, the elections hold a special place. If it is often said of the Slovak voters that they "must have known what they were getting into" with the election of V. Meciar (that is, that they de facto agreed to the breakup of the state), the same is true of the Czech voters. The victory of the ODS [Civic Democratic Party] embodied the priority given to the alternative, which did not want to discuss anything other than a "functioning federation," even though it was clear beforehand that the future victors of the Slovak elections had other ideas about the joint state. After the elections, a greater and greater part of the Czech public began to say good-bye to their "younger brother." The slogan of the Slovak separatists "Enough of Prague!" found its Czech counterpart in the response "Enough of the blackmail!," which later was transformed elegantly through the so-called divorce newspeak into an externally benevolent form of "recognition of the justifiable desires for emancipation of the Slovak nation...."

Slovakia—Year Zero

A few days before the elections in June 1990, the president at that time, V. Havel, spoke of the fact that the vision of a new Europe was being tested in the CSFR, which could become a "living example of the capability for cooperation, solidarity, federalism, and integration." The relations between the Czech and the Slovak republics could be "a model for the composition and integration of a future Europe."

And, even though it sounds like a paradox, this challenge does not cease to be applicable in either part of the former Czechoslovakia. We will undergo a test of our capability of becoming true Europeans on both sides of the border, in which the test in the Czech Republic will include not only the rate of economic growth, but also, for example, its attitude toward Rome, mastering the "German syndrome" or the general political culture. As far as Slovakia is concerned, the "struggle for Europeaness" or for a democratic nature of developments will still continue.

The young Slovak Republic is entering the "new age" with hopes, but also with paradoxes. The first is that a majority of its inhabitants clearly did not want an independent Slovak state. The second is that the country indeed already has its own Constitution, but it does not have a well-developed constitutional way of thinking in the sense of a civil constitutional culture and legal awareness. Third, Slovakia is a supporter of democracy, but, in practice, it so far has applied rather a form of the typical so-called majority democracy, which mainly takes care of implementing the majority opinion and is less concerned about the interests of the minority. Fourth, political plurality does indeed exist, but the individual movements have so far not learned to respect each other and to cooperate; the so-called liquidation syndrome is still operating. Fifth, the same as other postcommunist countries, Slovakia is industrialized, but it is a "socialist modernization" that still predominates today under the conditions of a weakly functioning market. And sixth and last, Slovakia is also threatened by R. Dahrendorf's "paradox of self-determination" that, in the name of self-determination in the sense of a national identity, one can resign oneself to self-determination in the sense of democratic freedom.

The new cast of politicians has so far not submitted a convincing, integrated, and internally consistent program of economic development. The first steps are disputable and have raised criticism from various parties, the media, the trade unions, and entrepreneurs. The undemocratic procedures and authoritarian tendencies of the HZDS [Movement for a Democratic Slovakia] have likewise been sharply criticized. Public opinion surveys point to a serious decline in trust in the government. Another type of political representation under such circumstances would be looking for allies and striving for the broadest possible nationwide consensus in support of reform. So far, however, that has not been

the HZDS's style, particularly not that of its confrontational chairman, V. Meciar. Certain hopes have lately been connected with the president, M. Kovac.

One of the key areas will be the dispute about the foreign policy orientation of Slovakia. Besides the clearly delineated direction taken toward the earliest possible integration into the West European structures, including the security system guaranteed by NATO (as the minister of foreign affairs, M. Knavko, presents it), there exist other ideas. According to them, Slovakia could be a neutral "bridge" between the East and the West; however, here we should remember the unpredictability and fragility of today's regimes in the former Soviet Union.

In its year zero, Slovakia must find itself anew. It will be a painful and long-term process. If this is to mean the self-identification of Slovakia as a democratic country with a market economy, the Slovak economy and the young Slovak democracy, as well, will need intensive assistance and care from the international community. And certainly it will also need good cooperation with the Czech Republic. However, as with every divorce, there is a place of being careful here, as well; despite the smooth divorce, smooth cooperation remains more a continuous challenge than an everyday reality.

—Martin and Zora Butora

A Unified Creation of a New Quality

There has already been a lot said about the disadvantages that are affecting independent Slovakia. The tales hurt me, and I do not like to spread them.

After all, I have this tender feeling toward my homeland; my ancestors were among the fervent fighters for the survival of the Slovaks as a people, and the unique dignity of our village dwellers fascinates me. I note with pleasure the fine shades of meaning in our enchanting language, and I hope I have successfully translated such authors as Tolstoy, Nabokov, Remizov, and others into the Slovak language not without the hidden intention of showing that the young literary language can express such creations of even the most demanding geniuses of language in world literature. The Slovak folk songs transport me into a state of ecstasy; in the Slovak peaks, I feel like I am in heaven, and, despite this, Slovakia does not mean blood and soil for me.

For me, blood is the symbol of death, and soil is the symbol of property. I think Erich Fromm unraveled the entire mystery of nationalism; the term "group narcissism" is certainly not unknown to you.

...I do not recognize the so-called national specific. The young Slovak historian Svetlo Bombik, in his own time, defined the nation as practices. At first glance, this appears heretical, but, when we look at it more closely, every society finally creates morals, habits, and a certain hierarchy of values. Over the past 40 years, the Czechs

and the Slovaks have shared many social values and a common life-style, and perhaps they have never been psychologically so close as right now. Before the birth of the joint republic, the practices of the two nations were different, to the same degree that the practices and the habits of the Germans and the Hungarians at that time were different.

This is possibly why they say of the Slovaks that they are primarily temperamental, magnanimous, and bold and that the Czechs are, instead, industrious, pedantic, and thrifty. Is it a question of blood? It is possible that the differences developed with a life of Lutheran asceticism and hard-working Germans on the one hand and the Hungarians on the other, where, until 1940, fighting duels with sabers was still not against the law.

In a word, despite the closeness of the languages, neighboring countries, and a common origin, there were still certain differences here. But what I feel is the most beautiful thing about these two nations is just this conjunction of two slightly differing elements. This is a conjunction that takes place in an invisible but nonetheless palpable, mutual attraction, whether it was a matter of science, art, or economics. The mutual stimulation thus creates a new quality, even though it was sometimes played out through conflicts and quarrels.

One can ask whether the often cited national identity is not threatened by such an intermingling. I doubt it. It is just by this coexistence, especially in cultural matters, that the Slovaks have become even more Slovak. In the brief time between the two wars, there was a true cultural miracle that took place in Slovakia; young Slovaks had the opportunity to study in Prague, to say nothing of the creation of their own higher education system; young Slovak creative artists studied with the Czech masters, as did the young Slovak composers, and all of this led to where Slovak literature, music, and the plastic arts were able to stand on their own two feet and achieved the level of their European counterparts, all as a result of their own Slovak nature. Even in the years 1939 to 1945, at the time of the first Slovak state, it was shown that, in the meantime, an entire generation of Slovak economists, jurists, teachers, doctors, and people in general, who were capable of administering matters, had grown up. Can it be that such success was the consequence of oppression?

Nations make their mark in history through their culture, not through their statehood. More than one nation has been badly hurt by its statehood but never by its culture. I therefore consider a form of state where culture in the broadest sense of the word has good conditions to be the best for every nation because it is not only the fine arts but also the way people treat each other. Treating each other well includes the civic principle; nationalists always conceal within themselves the risk of abuses of power in their own interests. Coexistence with the Czechs in one federation reduced that risk.

—Sona Cechova

* Prospects of Independent Slovakia's Economy

93CH0499A Bratislava MOSTY in Slovak 9 Mar 93 p 6

[Article by Juraj Charvat: "Does Slovakia Have a Concept of Economic Development?"]

[Text] Peter Weiss (SDL [Party of the Democratic Left]) says that independent statehood will in itself benefit Slovakia in the long term, but the division alone of the CSFR will not bring Slovakia any direct or immediate effects. Rather, on the contrary, in the coming months and indeed years, it will result in a complicated situation in certain areas. He regards politicians and economists who assert the opposite as "chimerical" and their views as "political fantasyland." It was for similar reasons that not even Jan Carnogursky (KDH [Christian Democratic Movement]) rushed to take concrete steps toward gaining independence.

Even before the division of the CSFR, the often expressed thought was that the division would have an unfavorable impact on the economies of both successor states, and more unfavorable to Slovakia. It will disrupt long-term close economic ties at a time when West Europe is beginning to resist importing from us and East Europe has nothing with which to pay. The very division will require new expenditures (printing bank notes for dollars, diplomacy for dollars, an increase in the administrative apparatus, and the like) that will disrupt the fragile budget balances and require new loans. These problems will have to be resolved in a tighter space, restricting room for maneuver. With a larger pot of money, it is easier to maneuver than with a smaller one. Foreign currency assets held in common provided a dependable assurance of internal convertibility. When Slovakia separated its one-third and began to operate with it, within a few weeks it hit bottom and must take steps to restrict convertibility in Slovakia.

The Government's Uncertain Economic Program

At that time—before the division—hardly anyone anticipated that Slovakia's descent in the financial sphere would be as crushing and as fast as it was right in the first weeks of independence. Peter Weiss says that the Slovak public is traumatized as a result of the hastily arranged breakup of the federation and less than competent reactions of the Slovak Government to the well thought out economic and political moves of the Czech Right. The trade union daily PRACA put it this way: "Slovakia's population is no longer paying the price of only a less efficient economy. It also bears the burden of a combination of ignorance and incompetence, of a lack of concept and social insensitivity on the part of the responsible ministers. But perhaps also of the entire government? For how much longer and why?"

As can be seen, right now, the topical question is: Does the SR [Slovak Republic] have a concept for the economy? Is the preelection program of the HZDS [Movement for a Democratic Slovakia] (and the SDS [Slovak Democratic Party]), which is, in effect, the

government's current program, essentially a critique of the federal economic and financial policies, or is it what it ought to be—a positive economic development program of the independent SR?

Tangible Results of Reform in the CSFR

An economic concept of further advancement in the new conditions should answer three basic questions, which represent three different areas and stages in the development of the economy:

1. How, at present, are urgent problems to be resolved?
2. How can we rise up from the bottom, and how can we assure a new revival of production?
3. How can we change the unsuitable structure of Slovak industry?

And all of this in conditions of a diminished economic and financial space and of an economic recession both east and west of us. Resolving current problems in a conceptual way does not mean acting like a fireman but, rather, like someone with foresight, who knows in advance what step No. 2 or step No. 5 will be.

The CSFR Government program sought to resolve the transition of our economy to a market economy by way of privatization, price and wage liberalization, the stabilization of currency and its internal convertibility, low inflation, and low unemployment. For these changes, it sought to create a solid (macroeconomic) framework. This process was not completed, yet it brought some positive results: Czechoslovak currency was stable and internally convertible, and its value even rose slightly because there was lower inflation here than in other countries. The CSFR was the only country that did not draw on the loan it could obtain from the IMF for 1992. It stopped increasing its debt, and its foreign currency reserves were the highest achieved during the long decades before.

Of course, this was accomplished at the cost of considerable sacrifice. The Czechoslovak koruna's exchange rate vis-a-vis convertible currencies was deliberately undervalued to make our products cheaper and competitive abroad. (We cannot compete by world-class quality and advanced technology.) The HZDS economists have subjected this exchange rate to merciless criticism (even to this day). But they are shortsighted about this. Now they are facing the very same problem, and we shall see how they resolve it.

Investments To Revive the Economy

After dissolving the federation, we return to 1990. Slovakia again has on its agenda currency stability, internal convertibility, budgetary problems, inflation, and all this under the most unfavorable conditions. Both successor states are returning to Washington to ask for loans that last year they could afford to turn down.

For a revival of the economy, investments are needed, and not only for modernization of the manufacturing plants but also for the antiquated sector of production services (transport, telephone system, banking, and so on), which alone will need tens of billions. Where will they come from? The world's first superpower, according to President Clinton's program, wants to raise funds for these purposes by tax increases, military budget reductions, savings in administrative costs, and so forth. In Slovakia, the money is not available (half of the population will hardly be able to buy an apartment), and relying on foreign capital is fraught with great questions. The applicants are many and the criteria change. (Who knows, for example, whether some day Ukraine may not be more important to Germans than Slovakia?) Investments for reviving the manufacturing industry are likely to be modest and not across-the-board but, rather, targeted.

Another question is: If we manage to increase industrial production, to whom will our industry offer our products if the West is undergoing a crisis of overproduction and the East a financial crisis? The only certainty we have had thus far—the internal Czech-Slovak trade, built up for decades at great sacrifice—is the very one we are undercutting.

Restructuring Industry

For such a small country as Czechoslovakia was, we built for the needs of the Soviet Union an inappropriately large heavy industry that demanded huge supplies of imported raw materials, was energy-intensive, greatly damaged the environment, and had uncertain sales. It was already Adamec's CSFR government that proclaimed industry restructuring to be its most pressing problem. A solution to this kind of problem is long-term, financially demanding (hundreds of billions), and socially painful (the relocation of tens of thousands of workers). Even the wealthiest countries have a hard time undertaking it. While this is rather a matter for the future, it complicates our present situation in two ways. In one respect, enterprises in these branches are the most crisis-prone: In Slovakia, this involves conversion of production lines in the armaments industry, in the Czech lands the mines, metallurgy (Poldi Kladno), power plants (northern Bohemia and Temelin), heavy engineering (Skoda Plzen, CKD Prague, and the like). In another respect, in the past three years, it was precisely the metallurgy, power generation, and cement exports that brought in the highest volume of foreign currency receipts, which actually helped perpetuate this unfavorable industry structure. But the West is beginning to resist these exports of ours, and so the problem of restructuring begins to be urgent again. But, in view of the tremendous need for capital, it is essentially a goal for the future.

Paying the Price of Illusions

Everyone in the world has economic problems and a shortage of capital. All are looking for ways out, with a

pencil in hand or a computer. In our country, no one had calculated in advance what economics pluses and minuses this will bring. At least certainly no one in Slovakia.

Of course, no state comes into being or ceases to exist on the basis of a preceding economic analysis. On the contrary, it comes into being on the basis of illusions.

Illusions are quickly and mercilessly confronted by economic reality, which, however, impacts differently on the various strata of the population. But the new state or regime is composed not only of politicians, directors, generals, and diplomats but also of "ordinary people." And it is for the most part they who pay the price of these illusions. Because of various illusions, my generation is starting its material life anew—for how many times already?

Macedonia

* Conference on Albanians, Macedonians in Croatia

93BA0809A Skopje NOVA MAKEDONIJA in Macedonian 8 Mar 93 p 4

[Report by Mira Suvar for NOVA MAKEDONIJA: "The 'Macedonia Today and Tomorrow' Conference"]

[Text] *"The support given by the citizens of Croatia and by our compatriots living in Croatia is very important."* Professor Dimitar Mircev stressed in a speech that caused tremendous interest. One must mention what links us and not what divides us, Tom Berisha, chairman of the Democratic Alliance of Albanians in Croatia, stressed.

A discussion on "Macedonia Today and Tomorrow" was held at the Cultural and Information Center in Zagreb. It created a great deal of interest, and the crowded hall was filled with an interested public, including a significant number of Macedonians and Albanians who live in Zagreb. The speakers included Dr. Dimitar Mircev, adviser at the Office of the President of the Republic of Macedonia; Dr. Dusan Bilandzic; and Dr. Tom Berisha, chairman of the Democratic Alliance of Albanians in Croatia.

Professor Mircev said that Macedonia is experiencing "a very traumatic and critical period." It is related to the basic issue of the international recognition of its national and state survival. Furthermore, "the interests and support of the citizens of Croatia and of our compatriots in Croatia are very important to it." The international recognition of Macedonia could quite rapidly influence the final resolution of the crisis in Kosovo and, especially, in Bosnia-Herzegovina. If no recognition is granted, Macedonia will remain an "area and a hotbed of crisis and instability, and of potential conflict of very broad dimensions."

Dr. Tom Berisha, chairman of the Democratic Alliance of Albanians in Croatia, reminded the audience that he is not the right representative at this conference, and that it would have been better for a representative of the Party for Democratic Prosperity to attend, so as to present more authoritatively and clearly the views of Albanians living in Macedonia. However, he too is familiar with the problems of the Macedonian state. He said that he would discuss more extensively historical facts that bring the Albanian people closer to the Macedonian people, for "in this time of Greater-Serbian aggression one should speak of what unites us" and not of problems. He said that what interests the Albanians the most at this stage is to be given a "single cultural area for all activities, regardless of the country in which they live," and that the Albanians will struggle for their national rights "in accordance with European standards, the eventual consequence of which implies self-determination."

Professor Bilandzic said that he was not sufficiently well acquainted with the Macedonian situation and that due to the break in relations he had been unable to follow it for the past two years, and that a major gap in this problem is the fact that Croatia does not have "Macedonologists"—people who would be studying Macedonia and topics related to it in greater detail. This last statement was immediately disputed by some of those present, who cited names of noted experts on Macedonian topics, and who also remarked to the moderator that she had failed to invite even a single one among them.

Finally, we could only express our astonishment that the Croatian information media showed no interest in this meeting that dealt with such a topical issue but one that is so infrequently discussed here of late.

* Turkish Consul General in Skopje Interviewed

93BA0809A Skopje VECER in Macedonian
13-14 Mar 93 pp 6-7

[Article including interview with Djamil Goral, consul general of the Republic of Turkey, by Tale Sotirovski and Lajla Sabit; place and date not given: "We Are Linked by a Strong Bridge"]

[Text] *Strong economic and cultural relations have been organized. In order to continue to develop in a positive direction, constant efforts must be made. Sharing good and positive impressions.*

People who spend a good portion of their life dedicated to diplomacy or, as we commonly say, who have been assigned diplomatic missions, have had the direct opportunity to become familiar with various countries and nations. They learn their history and culture, mentality, and way of life; meet with noted personalities; and form numerous acquaintanceships, friendships, and, frequently, ultimately write about this in their memoirs. However, although required to move more frequently and part with friends acquired in the course of a longer or shorter stay in a given country, they have many open hopes and desires to have new encounters and see new sights.

The present consul general of the Republic of Turkey in Macedonia, Mr. Djamil Goral, has frequently found himself in such situations. In the course of his long diplomatic career, in addition to work at the Ministry of Foreign Affairs, he has held a variety of diplomatic posts in the consular missions of his country in Damascus, Frankfurt, Dusseldorf, Moscow, and Belgrade.

"In the diplomatic service, a person works in a number of places," Mr. Goral says. "Naturally, after spending several years in the same place one finds it difficult to part with friends and acquaintances. However, one hopes that one day they will meet again. In Turkey we have the saying that mountains cannot meet, but people do."

Good Impressions

Mr. Goral is presently facing one such separation. After a posting of nine months in Skopje as consul general, he will be returning to his country soon. Hence it was natural to start our conversation by asking him about the impressions he will be carrying with him from Macedonia.

"What I have seen in the past nine months in Macedonia has been very positive," he answered. "A newly appointed ambassador will be arriving. Most likely, this will take place soon. The elevation of the consulate to an embassy will unquestionably have a further positive significance in relations between the two countries. I believe that the present good relations will continue to develop ever more extensively and broadly."

This mosaic of impressions will be dominated by the main city of our country, Skopje, although the consul general has visited other Macedonian cities, such as Tetovo, Gostivar, Struga, Ohrid, Bitola, and Valandovo. The reason is not only because he spent most of his time in Skopje, but also because he has been in this city before.

"Precisely," he said. "I worked from 1977 to 1981 as consul at the Turkish embassy in Belgrade. During that period, naturally, I visited Skopje. The fact that, after a long pause of 11 years, I have once again the opportunity to be here is to me a very pleasant event, and I consider myself lucky to be here once again. When I visited Skopje 11 years ago, I had the feeling that this was a very likable city. Now, having spent quite some time here, I have become better and more intimately familiar with its values and beauty. Indeed, in addition to its many sights, Skopje also has a very rich cultural life, and its citizens can adequately participate in such activities."

In addition to his impressions from his diplomatic work in Macedonia, it is natural for Mr. Goral to return to his homeland taking with him numerous political and other impressions on what is taking place here; he has his own views on the overall situation and on what should be done in order not to worsen it, as well as on relations between Turkey and Macedonia.

"Clearly, the worst thing today in the Balkans is the continuing war in Bosnia-Herzegovina," he said. "We, in the Republic of Turkey, are doing everything possible to put an end to that war, with the help of the international community, naturally. Turkey will pursue such activities in the future as well. The aggression to which the Muslims in that country have been exposed has drawn the attention of the entire world. Turkey is actively working for an end to the war, both in the United Nations as well as in the other organizations, such as the Islamic Conference; we are particularly active in providing humanitarian aid to the victims of military operations."

"As to relations with Macedonia," he went on to say, "after the breakdown of Yugoslavia Turkey simultaneously recognized Slovenia, Croatia, Bosnia-Herzegovina, and Macedonia. Since the recognition, relations with your country have steadily continued to develop along a positive line. The economic, political, and cultural ties linking Turkey with Macedonia are becoming increasingly strong with time, and I hope that they will continue to develop in the same direction in the future as well."

New Steps

We asked the consul general to be more specific on this subject, to assess the collaboration achieved so far, and to share with us his thoughts on its further expansion. "After the strengthening of the independence of Macedonia there has been an intensification of economic and cultural relations with Turkey, and in order for such relations to develop positively in the future, constant work is needed." He continued:

"In the course of the recent visit which the Honorable Turgut Ozal, the president of Turkey, paid recently, and in addition to the political support which my country is giving to Macedonia in international institutions, the two countries expressed their wish for the further development of joint economic and cultural relations. Some suggestions made by Turkey on the economic level, in terms of future projects, were very positively rated by the Macedonian side. Above all, this pertains to the highway and the railroad linking Istanbul to Albania, via Bulgaria and Macedonia. Some 10 days ago, at the official meeting between a Turkish economic delegation and official Macedonian representatives, extensive discussions were held, in the course of which thoughts were exchanged on cooperation possibilities. Furthermore, the businessmen who accompanied our president in his recent visit established a large number of profitable contacts. As a result of all this, we could expect new steps to promote cooperation in this area. At the same time, cultural relations are successfully continuing to develop. There is a project for cultural, scientific, and technical cooperation that Turkey has submitted to the Macedonian authorities, and I hope that we shall soon have Macedonia's answer. This will make our reciprocal cultural cooperation even more successful and better organized."

However, the Turkish minority in Macedonia and Macedonian citizens who resettled in Turkey are a significant factor making a major contribution to the organization of such relations and cooperation between the two countries. Mr. Goral fully agreed with this view.

"The nearly 100,000 Turks who live here, like those who are of Macedonian origin and who, in the past, settled in Turkey, have for years constituted a very powerful and strong bridge linking the two countries. Ninety percent of the Turks living here will tell you that they have relatives in Turkey, and the case of those who live in Turkey is the same. This alone encourages the people

from the two countries to visit one another. Naturally, this is a significant contribution to the development of relations between the two countries. Some of the most noted developers and owners of large companies in my country are of Macedonian origin. They represent an equally significant factor in the development of relations between the two countries."

We reminded the consul general that in the course of his visit to Macedonia, the Turkish president was also informed of individual problems that have appeared in some circles in our country in terms of education and demands for the study of the Turkish language, above all at the Zupa Center, and we asked for his comments.

"In connection with the demand made by the people of Zupa for school instruction in the Turkish language, we know that a group of experts is at work on this subject. This commission will determine the way the Turkish language could be incorporated in the educational process. I hope that the two sides, taking into consideration the rights that the Constitution grants the Turks, will find a satisfactory solution to this problem."

We asked Mr. Goral one more question: How does he spend his leisure time?

"I do not have too much leisure time, for consular work is difficult. In my spare time I take walks, go to concerts, visit the theater, or other similar cultural events. I do not miss a single performance of the Turkish Ensemble of the Theater of Nationalities. Since I do not understand Macedonian, I cannot attend Macedonian theater performances, but instead I go to concerts."

[Box, p 6]

Meetings by the Sea

The consul general has been performing his official duties in Skopje for more than nine months. He came here alone, without his family, for, as he stressed, this was a temporary posting. "It is true," he went on to say, "that my stay in your city was extended by a period of a few (three) months. Furthermore, I have one of my daughters attending secondary school in Turkey, so that she could not accompany me. My second daughter is a student abroad. However, we all meet during the summer holidays to spend some time in our cottage by the sea."

[Box, p 7]

This They Will Understand

Mr. Goral was asked what he thought about the Greek attitude in the matter of the international recognition of Macedonia.

"Greece is facing difficulties in explaining to other countries, including some members of the European Community, its arguments against the recognition of Macedonia. I believe that in time the Greek leaders will understand this. In the discussions that are taking place

on the recognition of Macedonia by the UN, I hope that on the basis of reciprocal understanding and respect a satisfactory result will be reached."

* Chief of General Staff Interviewed

93BA0861A Skopje VECER in Macedonian
27-28 Mar 93 pp 4-5

[Interview with Vice Admiral Dragoljub Bocinov, ARM chief of General Staff, by Branko Geroski; place and date not given: "I Am Not a Broom"]

[Text] Vice Admiral Dragoljub Bocinov is well known to the Macedonian public. On two occasions he has been a "guest author" in the Saturday edition of VECER, which publishes interviews. However, the fact that the supreme commander in chief appointed this high-ranking Macedonian officer in order to resolve the argument between the ARM [Army of the Republic of Macedonia] General Staff and the Ministry of Defense made journalists curious. Indeed, inasmuch as we are allowed to begin with the impressions of the author of this interview, we are no longer looking at this outspoken admiral from the time when he fiercely defended his project for a military academy and made controversial comments. The new chief answered our questions diplomatically and repeatedly returned to the issue of echelons of military personnel, constantly repeating that he is concentrating on that issue. He does not fail to remind us that it is the minister of defense who must answer all questions of a political nature. Even people unfamiliar with the subject see this man as an entirely new version of the position which was held some 20 days ago by the now retired General Mitre Arsovski, about whose replacement Bocinov also refrained from making any kind of comment.

Prerequisite for a Harmonious Atmosphere

[Geroski] As the public already knows, the change of course for the ARM was the result of conceptual disagreements between some members of the General Staff, who supported autonomy and direct answerability to the President of the Republic on the one hand, and the Ministry of Defense on the other. To what extent were you personally involved in this argument, and what are your views now, as the new chief of general staff?

[Bocinov] Not only now but always my concern has been to implement the tasks which stem from my duties; anything else I consider and treat as marginal. I have tried to establish a harmonious atmosphere and tolerance as a basis for collective team work. I proved this with my personal attitude toward joint commitments. You know this. From October to February I was involved in formulating a plan for the military school system.

As for the problems you are asking about, they are known to the individuals involved. My views and position have always been to respect the basic legal documents and to work in accordance with the law and my conscience.

[Geroski] In a recent interview given to VECER, you told us that Macedonia has virtually no defense strategy unless we count some basic definitions for peace and so on. In the position you currently hold, do you intend to suggest a defense strategy, and would this, in your view, lead to some structural changes in the Army?

[Bocinov] I may have been misinterpreted at that time. I recall that I spoke of the doctrine and philosophy of defense. To the best of my knowledge, strategy has been formulated and is currently being amended, studied, and further developed. We are speaking of military strategy. In my view, these are merely parts of an overall strategy. The problem with the defense of a country and its development is an entire process, and a lengthy one. It must be interpreted theoretically, after which practical experience will approve or reject whatever must be changed. We are dealing with a constant evolution of the system. Such is my answer to your question.

Changes and Inertia

[Geroski] The impression, perhaps from the civilian viewpoint, is that what the Army of the Republic of Macedonia is today, in many aspects, ranging from a system of classical military training, which can be seen with the naked eye, to relations within the Army body, including the Army leadership, is all too similar to that of the former JNA [Yugoslav People's Army]. As someone who has had the opportunity to witness and acquire a different experience, do you have any ambitions in terms of changing something in this area?

[Bocinov] This implies that the ARM resembles the former JNA. However, you must agree with me that all armies are alike in a number of features. We must not only look at the facade but also at the real changes that are more significant. In terms of some features and aspects, the ARM is the force of a civilian society, with very different features from those of the former JNA relative to status, work methods, attitude toward the state, and so on.

The biggest difference, in my view, is the changes in the awareness and mentality of the officers. This is a guarantee of the fact that we are creating a new army. Our army is a heterogeneous composition of three structures, and it is logical to have some opposition to change. A number of things have been changed in all areas of the Army's structure.

Further activities will be carried out on this level, with a view to creating a specific organism consistent with a properly developed mechanism.

Otherwise, as you say, there are many features in common with several armies, particularly those of the

Southern wing of NATO, which are typical, not to say the stereotypes, of a military organization which depends on the coalition and the national tasks of the Western alliance.

Several days ago I submitted a concept, an army structure.

[Geroski] Are you thinking of Slovenia?

[Bocinov] Yes. And although one frequently thinks that Slovenia is similar to us, we cannot be considered identical in some elements. You are familiar with them....

[Geroski] Such as, for instance, the military training system?

[Bocinov] Let me tell you about the training system. We are different, but there will be changes. You should know that it will not be the same as what we usually thought about Slovenia. The Slovenes will now be recruiting foreign instructors and will train their people abroad. In practical terms, they have a permanent training system. I was not given an answer to my question of what happens to pre-graduation training. However, on the basis of new contacts, such people will come here. I am in touch with some people from their Center for Strategic Research and will obtain some data, and we shall review the situation once again. That is what I can say specifically about the training system....

[Geroski] It is public knowledge that because of the differences between the general staff and the Ministry, a number of unpleasant things have taken place at the Army "base," i.e., in the Army units: officers lacked motivation, the units frequently were kept without heat and regular food supplies, and so on. The impression was that work with the Armed Forces had to be pushed into the background. Do you have the intention of changing something?

[Bocinov] Let me stress, first of all, that in all army structures logistic or rear-echelon problems are dominant. Consequently, we were not immune from such problems. It was a question of a number of subjective and of an even greater number of objective reasons. The material base of the ARM was modest, if you know with what we started. The inferior economic position of the Republic of Macedonia did not contribute to the fast resolution of this problem. We wish to make changes on this level, but a number of things depend on the possibilities of the state and are outside our jurisdiction.

Emphasis on Troop Deployment

[Geroski] It is no secret that the pace of change in the Army will also depend on the cadre situation and the changes which are expected to be made. In the context of the problems related to military training, you spoke at one point about the ballast of high-ranking cadres. It is public knowledge that this ballast is the catalyst for the

current argument related to the concept of defense. It will be useful to settle this issue.

Now, from what we have heard, there will be new retirements, changes in the general staff, and so on. What precisely is happening? Will you have the opportunity to work with a team with which you personally agree?

[Bocinov] Activities based on the law will be carried out in all segments of the military organization. The cadre potential will be balanced, with emphasis on the troops. I shall work with the cadres at my disposal, who will focus their intellectual and psychophysical capabilities on the further development and strengthening of the defense system and combat readiness of the ARM.

[Geroski] In my question concerning cadre changes I was thinking specifically of the Army command....

[Bocinov] Let me tell you this: There are no reasons for "purging" or things of this kind. We shall be guided by the law. There is a prerequisite on the basis of which people may retire. Otherwise, there is no reason to apply some kind of special policy at this point. However, I shall work with the people at my disposal. I cannot afford a choice. More specifically, within the existing personnel I shall choose those who are most active and most responsive to my own work dynamics. I have heard comments such as, here is a new broom. No, we shall work calmly and peacefully. We shall make a profound study of the cadres and, logically, I will emphasize what I already said: I shall try to ensure the "production process" with the help of people who will be active. I am considering the troop echelon. The superstructure is something else. Without a cadre analysis we cannot resolve all problems. I have a couple of months to produce such an analysis. However, we shall talk about this again.

* Military Policy Goals, Ideas, Criticism

93BA0808B Skopje VECER in Macedonian
13-14 Mar 93 p 13

[Article by Lieutenant Colonel General Tomislav Trajevski: "Abandoning the TO Is a Mistake"]

[Text] *Our defense is based on our own forces and on the patriotism of the citizens; we must quickly define our defense vision, which requires the will, courage, and, above all, a great deal of knowledge; disrupting the existence and efficiency of the Territorial Defense [TO] is an error.*

The newly developed international situation, in which the long bipolar confrontation and balance is no longer its main feature, cannot fail to affect the situation in the Balkans.

The study and the nature of the situation in the immediate vicinity of the Republic of Macedonia unequivocally indicates the possibility of an eventual aggression against our state. The basic implications of the total changes require the existence of highly organized, highly

professional, and efficient armed forces. In an interdependent world whose affairs have still not become sufficiently clear and defined once and for all, the Republic of Macedonia must be prepared to respond to any eventual unpredictable development of circumstances that go beyond ordinary relations but that could trigger consequences affecting its security.

Age-Old Appetites

Consistent with the overall changes, there have also been actual changes in the defense of the Republic of Macedonia, as follows:

It is based, above all, on its own forces and on the patriotism of its citizens.

The defense of the RM [Republic of Macedonia] is a common and shared value outside and above the ideology of any given party.

The radical changes in the Republic's economic life have had and will continue to have a major impact on financing defense and, therefore, specific implications concerning the efficiency of the Armed Forces.

The age-old appetites of our neighbors are once again part of the current political game. The daily pressures which we feel in various ways and shapes, coming from different countries, are influencing our security and political stability. Let us note that the Republic of Macedonia is exposed to and experiences all the familiar forms and contents of the so-called doctrine of low-intensity conflict, which is the contemporary way of threatening the safety and security of small and underdeveloped countries.

It is self-evident that this is a matter of a different strategy of threats, compared to those known so far. That which once was defined as "special warfare" or "emergency situations" has had its meaning reinterpreted more narrowly. This aspect of threat has not been sufficiently developed or studied in our country, and neither have the possible ways of opposing it.

Pressures and Manipulations

The many pressures, political manipulations, violations of airspace, and exercises in the immediate vicinity of our borders; the increased military strength of the garrisons located in the vicinity of the borders; as well as the numerous exercises that, in their scenarios, frequently involve the Republic of Macedonia (for it is considered a strategically sensitive point), are merely part of the evidence of the use of steps related to low-intensity conflict involving the Republic of Macedonia.

The sensitive nature of the situation in the Republic of Macedonia can very easily become more complex internally. According to some views, this could provide a reason for possible outside intervention. The motivation could be sought in the need to control the development of the situation, allegedly in order to protect one's own security and the security of one's borders from the

possible escalation of developments in our country. In any case, our internal divisions are a major reason for inspiring the traditional aspirations aimed at the Republic of Macedonia.

The lack of integration of our sociopolitical and economic system increases the difficulty of developing an integral defense system. Our friends will not wait for us to consolidate. Actually, such weaknesses on our part could benefit them successfully, even if we develop the highest possible national concept of defending the freedom and integrity of the state!

Quality Defense

The transformation of the TO into the Army of the Republic of Macedonia occurred after the former Yugoslav People's Army withdrew from this country. This created a vacuum in the defense system of the Republic of Macedonia, for the new model of defense has still not taken shape. In any case, this is neither easy nor simple. Global practical experience indicates that it takes five to six years for successfully reorganizing a given armed force. It is for that reason that I believe that disrupting the existence and efficiency of the TO of the Republic of Macedonia was an error.

We live in a world of military conversion, an era of replacing quantity with quality, and in that sense all leading world powers are engaged in a major restructuring. A number of countries have increased their military budget or stopped their planned reduction, while the defense industry is supplying new types of weapons. In our immediate surroundings, soon all of our neighbors will have a military power and a military infrastructure exceeding their economic, geographic, and demographic size and requirements. This requires of us a rapid definition of our vision concerning the defense of the Republic and what is needed, something far in excess of our wishes and our courage and, above all, a great deal of knowledge. The historical possibility that we must not abandon we must use most rationally by creating real prerequisites for the successful security of the Republic of Macedonia.

* Controversy Over Establishment of Military Academy

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[Article by Spas Markovski: "Routine and Stereotype"]

[Text] *With an undefined strategy and concept of defense and a critical economic situation, would it not be better to train our cadres in academies elsewhere in the world rather than providing costly training in our own academy?*

At a time when both our friends and our enemies and, above all, we personally know that following the breakdown of Yugoslavia Macedonia has no standard defense system, after all that remained in the sense of having an army was converted with a great deal of difficulty into

border units, and when it is clear to everyone that this small land will never be an economic or military power of any significance, there is quiet talk of establishing our own military academy. What makes this idea even stranger is that, at the same time, most loudly and most publicly we are indiscriminately saying that we do not wish to be a military power but a demilitarized zone, and a wide open country for the free flow of goods, ideas, and people. On the other hand, citing a variety of arguments, it is being claimed that our standing army has more officers than privates.

Two Attitudes

Two attitudes have made their appearance in the debates conducted so far on the establishment or nonestablishment of a military academy in Macedonia. Both support the idea of the establishment of the academy, but the controversy is about to where and how to establish it. Thus, whereas the General Staff of the Armed Forces favors an independent military educational system, the Defense Institute of the Philosophy Department favors a military education system within the institute. Naturally, there are those who think otherwise, who at this point oppose the organization of a military academy and believe that in the past we have built quite a number of economic and other memorials and that in our educational system we have a number of "sins" (directed education, limited expansion of departments, and so on). Still, such thoughts come from outside of military circles. The only professional soldier who opposes the opening of a military academy in Macedonia under the present circumstances is Lieutenant Colonel General Tomislav Trajcevski, who is known to the broader public also as the commander of the Knin Corps in the war in Croatia, someone also known to our readers from several articles published in the paper's section on military training.

Essentially, General Trajcevski is not altogether against the establishment of a military academy in Macedonia. However, relative to the time and conditions under which this should happen, his approach and arguments are quite different from those of his colleagues.

"In discussing military training, we should start with our immediate past. More specifically, former Yugoslavia had a training system that, even after 45 years of functioning, proved to be cumbersome, too costly, and insufficiently functional. Shortly before Yugoslavia broke up, it had been unanimously agreed that that system had to be reorganized. That system had developed under very specific conditions, on the basis of a very specific concept. Yet, as I said, it proved to be insufficiently functional. Now, based on the familiar prerequisites, we would like to start something similar to that system, but this time we want an independent, Macedonian, one. That is why I cannot accept the stated reasons for opening an academy.

"Thus, within such a brief existence, we wanted to organize an entirely new army, and there are two predominant concepts of security. They are mutually exclusive conceptually and politically when applied to a

country whose basic development premises have not been defined as yet. In other words, all we know from the array of the various problems and tasks is that we would like to protect Macedonia from foreign aggression. We are speaking of a prolonged war in the case of aggression. Meanwhile, we abandoned and dismantled our territorial defense forces. We are speaking of a national war, but we forget or pretend not to know that in a national war we need a minimum of consensus on the part of every person living in Macedonia, and we lack such a consensus. We are speaking of an insufficient cadre of commanders without having thoroughly analyzed what we have at present and what we shall need in the future. We are aware of the fact that the technology of training is objectively determined by the model and concept of defense, of the type of war and armed struggle, but we have not formulated our own scenarios for even one of these three points.

Comparative Elaborations

"On the other hand, the world as a whole has changed, and it is science rather than empirical practice that is being watched. We are in the so-called state of military conversion, which means substituting quantity with quality. In other words, whereas until yesterday in order to hit a target we needed 50 bombs, today the same can be achieved with 10, or even with a single bomb. Even more specifically, as confirmed by the war in the Gulf, today military thinking is based on the maximal elimination of manpower clashes and casualties, and concentrating on the maximal use of technological advances. In that sense, our present research and concepts are out of place," Trajcevski says.

In connection with the specific establishment of the academy, Trajcevski has equally specific remarks to make.

"In order scientifically to solve the problem of military training we must acquire professional and scientific potential. However, this can be accomplished after the state has developed its own concept of war and a doctrine for our defense. Even at that point, depending on the economic power and the funds Macedonia could

provide, this potential will offer comparative choices among what is optimally possible. Only then will it become possible to establish and supply details concerning the general requirements regarding the concept and doctrine of defense, the scientific and technological revolution, and the various aspects of contemporary warfare. It is only after we have accomplished this that we would be able to speak of specifics in the field of military training, the nature of the military command cadre, and possible purposes of military training, present and future. Therefore, in this respect we must define the military defense interests of the country, its needs, and its objectives."

This would make it easier to determine whether the state will develop its own military training system, which area of it will develop, whether this system would be integrated or independent, and so on. Naturally, in the course of the preparations for such training, a key problem will be the drafting of training plans and curriculums, as well as setting the criteria for their oversight and implementation, Trajcevski said.

Adding that in order to resolve the overall problem of military training we must first engage in scientific research covering all of its aspects, the general noted that the insufficiency of such research should not be replaced by partial studies, for this would mean plunging into routine and stereotypical development, which would worsen the problem. It is precisely from that viewpoint, expressing great reservation about any hasty opening of a military academy, that Trajcevski pointed out that we must get down to earth, we must look at our reality and, until we have met all the prerequisites, look at the experience of countries that are close to us not only geographically but also economically. It is precisely in that sense that he repeated his suggestion of considering the possibility of training cadres abroad.

In addition to taking the present economic situation into consideration, this idea is strengthened by the knowledge that training per soldier would amount to 15,000 German marks annually. If such is the case, would it not be better for the boys to acquire world experience with fewer investments such as, for example, training at West Point in the United States?

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